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China Report

ECONOMIC AFFAIRS

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8 January 1985

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

PROVINCIAL AFFAIRS

Fujian Economic-Technical Cooperation With Other Provinces (FUJIAN RIBAO, 15 Sep 84).....	1
Briefs	
Shanxi Economic Discussion Meeting	3
Heilongjiang Supply, Marketing Work	3
Wholesale Center Opens	3
Supply-Marketing Congress	3

ECONOMIC DEVELOPMENT ZONES

Open Door Strategies for Five EDZS Discussed (Yin Ming; LIAOWNAG, No 33, 13 Aug 84).....	5
Steady Development of Zhu Jiang Delta Reported (Zeng Guangcan, Li Ke; YANGCHENG WANBAO, 9 Sep 85).....	12
RENMIN RIBAO on Guangzhou Administrative Reform, Foreign Investment (Huang Xingqun; RENMIN RIBAO, 8 Nov 84).....	16
Shanghai Adopts New Policies To Boost Trade (Zhen Fan; CHINA DAILY, 12 Dec 84).....	18
Shanghai Gives Technical Aid to Other Regions (XINHUA, 14 Dec 84).....	20
Foreign Investment in Shanghai Increases (XINHUA, 15 Dec 84).....	21

Work Starts on Tianjin Economic, Technology Zone (Chen Li; CHINA DAILY, 18 Dec 84).....	23
ECONOMIC PLANNING	
Use of Law of Value, Economic Levers in Planning Viewed (Chen Zhongsheng; JINGJI YANJIU, No 10, 20 Oct 84).....	25
AGGREGATE ECONOMIC DATA	
Shanxi Boosts Gross Income, Output (SHANXI RIBAO, 21 Jun 84).....	31
Steel Production in Sichuan Reported Soaring (SICHUAN RIBAO, 11 Sep 84).....	32
Yunnan Governor Pu Chaozhu on Economy (Pu Chaozhu; JINGJI RIBAO, 15 Sep 84).....	33
ECONOMIC MANAGEMENT	
Shanghai Eases Restrictions on Collective Enterprises (WEN HUI BAO, 4 Jul 84).....	36
Technological Transformation of China's Enterprises Discussed (Xu Fangming; CAIZHENG, 8 Jul 84).....	39
Opinions Concerning Second Step of Reform (Wang Shuigen, Cai Minglin; SHEHUI KEXUE, No 7, 15 Jul 84).	44
Sichuan Timber Management System Reform Promoted (SICHUAN RIBAO, 3 Aug 84).....	50
Wage Reform in Construction Industry Viewed (Jin Minqiu; JINGJI YANJIU, No 10, 20 Oct 84).....	52
Distribution According to Factors Other Than Work (Hu Fengji; JINGJI YANJIU, No 10, 20 Oct 84).....	59
FINANCE AND BANKING	
Characteristics of the Product Tax (Yan Hungchu; CAIZHENG, 8 Jul 84).....	65
MINERAL RESOURCES	
China's Output of Nonferrous Metals Ranks Sixth in World (GONGREN RIBAO, 27 Jul 84).....	69
Sichuan Discovers New Mineral Resources (Liu Jingshi; SICHUAN RIBAO, 8 Aug 84).....	71

Mineral Deposits in Zhejiang Reported Verified (ZHEJIANG RIBAO, 17 Sep 84).....	72
--	----

Mineral Deposits in Jiangsu Reported Verified (XINHUA RIBAO, 19 Sep 84).....	74
---	----

INDUSTRY

Shanghai Industrial Output Reported Making Gains (WEN HUI BAO, 5 Jul 84).....	76
--	----

Shanxi Industrial Output Increases (SHANXI RIBAO, 6 Jul 84).....	77
---	----

China's Steel Output Rated Fourth in the World (GONGREN RIBAO, 21 Jul 84).....	79
---	----

Briefs Lianoning Industrial Results Up	81
---	----

CONSTRUCTION

Innovative Construction Material Bases Built (Beijing Domestic Service, 13 Dec 84).....	82
--	----

DOMESTIC TRADE

On Relationship Between Pricing Policy, Commodity Resources (Tu Wanzhen; JIAGE LILUN YU SHIJIAN, No 4, 20 Jul 84).....	83
---	----

Rapid Growth of Sichuan's Food Production Industry Reported (SICHUAN RIBAO, 5 Aug 84).....	87
---	----

Integration of Enterprises as Key to Construction of Economic Regions (Zhou Jizhi; JINGJI WENTI TANSUO, No 8, 20 Aug 84).....	89
--	----

Prefecture in Shanxi Develops Thriving Trade (SHANXI RIBAO, 14 Jul 84).....	96
--	----

Rules on Rural Individual Industrial-Commercial Households Discussed (NANFANG RIBAO, 11 Sep 84).....	98
---	----

Xizang, Qinghai Sign Economic, Technological Agreements (Xizang Regional Service, 10 Dec 84).....	100
--	-----

Briefs	
Beijing Consumer Goods Sales	101
Beijing Sales of Color TV's	101
Wuhan Grain, Oils and Foodstuffs Trade Center Inaugurated	102
Forestry Products Trade Fair	102

Grain-Oil Trade Center	102
Shaanxi Assisting Xinjiang To Develop Economy	103
FOREIGN TRADE AND INVESTMENT	
Shandong's Plans for Foreign Investment Revealed (Yuan Chonghe; GUOJI MAOYI, No 4, 27 Jul 84).....	104
Bank of China's Past and Present Activities Made Public (Bu Ming; GUOJI MAOYI, No 5, 27 May 84).....	108
Sichuan Reported Developing Processing Enterprises for Foreign Trade (Guo Yunchi, Yang Runlun; SICHUAN RIBAO, 5 Aug 84).....	113
Shaanxi Hosts International Cooperation Talks (Shaanxi Provincial Service, 6 Dec 84).....	115
Beijing Review Interviews Gu Mu on Open Cities (Gu Mu Interview; BEIJING REVIEW, No 50, 10 Dec 84).....	116
Development of Tourist Facilities Continued in Fujian (XINHUA, 18 Dec 84).....	120
Briefs	
Imports, Exports Increase	121
Zhejiang Tourism Development	121
Xizang Tourism To Double	121
Trade Agreement With Bulgaria	122
Zhejiang Export Commodity Procurement	122
Qinghai International Economic, Technological Fair	122
Jilin-Japan Joint-Venture Company	122
Shanghai-Hong Kong Trade	123
Tianjin Export Commodities	123
Ugandan Delegation in Liaoning	123
SPECIAL ECONOMIC ZONES	
Benefits of Opening Foreign Bank Branches in Shenzhen Explained (LIAOWANG, No 27, 2 Jul 84).....	124
Comments on Fujian's Economy by Developer of Shekou Model (Lin Mingkan, Ma Fei; FUJIAN RIBAO, 24 Aug 84).....	127
Shenzhen Production Increases by Large Margin (Zhan Moujun; ZHONGGUO XINWEN SHE, 13 Dec 84).....	130
LABOR AND WAGES	
Fruitful National Labor Placement Discussed (GONGREN RIBAO, 3 Sep 84).....	132

TRANSPORTATION

Determination of Prices for Water Transportation (Ding Ming; JIAGE LILUN YU SHIJIAN, No 4, 20 Jul 84).....	134
Shaanxi Develops Its Civil Aviation (Ning Yeying; SHAANXI RIBAO, 12 Aug 84).....	141
Guangdong Develops Highway Construction (Zou Qiming; YANGCHENG WANBAO, 12 Aug 84).....	143
Unified Fare for Chinese Passengers on Domestic Flights in China (YANGCHENG WANBAO, 13 Aug 84).....	145
Statistics on Fujian Bridges (Lin Zhaogui; FUJIAN RIBAO, 19 Sep 84).....	146
Statistical Chart on Fujian's Transportation Development (FUJIAN RIBAO, 22 Sep 84).....	147
Changes in Shaanxi's Railway Transportation System (Kang Zhongyin; SHAANXI RIBAO, 29 Jul 84).....	148
Construction Begun on Guangzhou-Shenzhen Railway (He Shaoying; NANFANG RIBAO, 9 Sep 84).....	150
Briefs Flooded Sichuan-Xixang Highway Reopens	152

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

SHIJIE JINGJI Reviews CEMA Economic Conference (Wang Wenxiu; SHIJIE JINGJI, No 8, 10 Aug 84).....	153
PRC Journal on DPRK Economic Achievements, Outlook (Yang Xuezhong; SHIJIE JINGJI, No 8, 10 Aug 84).....	162

TAIWAN

Taiwan Radio on Trade Issues With United States (Taipei International Service, 8 Dec 84).....	172
Institute Issues Study on Exports To United States (CNA, 10 Dec 84).....	174
Foreign Trade Increases to \$48.2 Billion (CNA, 8 Dec 84).....	175
Briefs Taiwan-Japan Trade Imbalance Trade Surplus With U.S.	176 176

PROVINCIAL AFFAIRS

FUJIAN ECONOMIC-TECHNICAL COOPERATION WITH OTHER PROVINCES

Fuzhou FUJIAN RIBAO in Chinese 15 Sep 84 p 1

[Article by the Fujian Provincial Coordination Office: "Implementing the Policy of 'Opening to the Outside World and Enlivening the Domestic Economy,' Fujian Province Has Promoted 415 Items of Economic and Technical Cooperation With More Than 20 Provinces, Cities and Departments"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, our province has energetically developed economic and technical cooperation with other parts of the country in an unprecedented magnitude and depth by adhering to the policy of "opening to the outside world and enlivening the domestic economy" and the principle of equality and mutual benefits. Fujian is gradually becoming a "window" to economic and technical cooperation in the country.

The provinces engaged in cooperation are: Jiangxi, Hunan, Anhui, Henan, Sichuan, Gansu, Guangdong, Jilin, Hubei, Jiangsu, Zhejiang, Yunnan, Guizhou, Shandong and Liaoning, and Shanghai and Beijing Cities.

Departments engaged in cooperation include: the aviation, space, coal, metallurgical and forestry departments; numerous scientific research institutes; institutes of higher learning; and other units.

The content and scope of cooperation: a total of 415 items of economic and technical cooperation of which 84 items are under economic integration and 331 items are under technical cooperation, including 151 items of light industry, 89 items of electronics, 17 items of building materials, 15 items of medicine, 128 items of machinery and electrical appliances, 16 metallurgical items and 17 items involving other departments.

Main forms of cooperation: 1. internal integration and importation from abroad. For example, the Xiamen Special Economic Zone Joint Development Company, Ltd., and the Fujian Investment Enterprise Company, the Chinese International Trust Investment Company and the Trust Counseling Company of the Bank of China jointly established the Xiamen Photosensitive Supplies Company, Ltd., to import the entire technological process and production line for the production of color films and photosensitive papers. 2. Joint ventures and compensatory trade. For example, Fujian, Anhui, and the Ministry of Coal Industry built the Tongting coal mine in Anhui in a joint venture. Fujian will use its share of coal from the joint ventures and credit with interest to help Jiangxi develop

the Guangfeng phosphorous mine, and when the mine is completed and put into operation, Jiangxi will ship phosphorous ores to Fujian each year as compensation. 3. Interflow of goods and materials with each making up the other's deficiency from its own surplus. Fujian provides timber to other provinces in a coordinated exchange of coal, coke, rolled steel, plate glass, cement, chemical raw materials, sulphur-iron ores, carbamide, tong oil and other items in short supply. 4. Joint development of new technology and new products. For example, the Shanghai Jiaotong University and Putian city jointly established the "Fujian Meizhou New Technological Company" and signed more than 10 short-term technical cooperation agreements with the sugar-manufacturing, machinery, electronics, optical-instrument, ship-dismantling and steel-rolling trades in Putian City. Furthermore, various localities have adopted such measures as buying out patent rights, transferring positive results and hiring advisers and carried out "supporting the rural areas with intellectual powers" and other activities to import the advanced technology into Fujian from other parts of the country.

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CSO: 4006/44

PROVINCIAL AFFAIRS

BRIEFS

SHANXI ECONOMIC DISCUSSION MEETING--A 10-day Shanxi Provincial meeting to discuss the domestic economic and technical cooperation successfully ended on 21 October. During the meeting, our province signed up for more than 200 cooperative projects with fraternal provinces, cities, and autonomous regions, and imported some 200 million yuan. [Summary] [Taiyuan SHANXI RIBAO in Chinese 22 Oct 84 p 1 SK]

HEILONGJIANG SUPPLY, MARKETING WORK--So far, all grassroots supply and marketing cooperatives in Heilongjiang Province have been turned from state businesses into collective businesses, and 98 percent of them have carried out the economic contract system. In the first 3 quarters of 1984, the province's supply and marketing cooperatives earned 39.63 million yuan. In the January-October period, the sales volume of the cooperatives reached 2.64 billion yuan, a 10-percent increase over the corresponding period of 1983. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 5 Dec 84 SK]

WHOLESALE CENTER OPENS--The Nanjing small commodity wholesale center opened for business this morning. Gu Xiulian, governor of Jiangsu Province, and Zhang Yaohua, mayor of Nanjing City, cut the ribbon at the opening ceremony. After hearing an introduction by the responsible person of the small commodity wholesale center and touring the center's various departments, provincial Governor Gu Xiulian said that there are bright prospects in small commodity business and urged the wholesale center to learn from other localities' good experience and provide market information to the industrial departments. Provincial Governor Gu Xiulian also suggested that the wholesale center sell not only small commodities produced in China but small commodities imported from foreign countries as well, thereby promoting the development of small commodity production at home and satisfying the needs of the people. [Excerpts] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 7 Dec 84]

SUPPLY-MARKETING CONGRESS--At the 2d provincial congress of members of supply and marketing cooperatives and combined cooperatives which ended yesterday, provincial Governor Liu Zheng stressed that all supply and marketing departments in the province must break the old conventions of only buying and selling and vigorously carry out reforms to make the supply and marketing cooperatives become comprehensive rural economic service centers which the peasants can rely on in becoming rich and which rural economic organizations

can depend upon. Governor Liu Zheng demanded that all localities and industrial and commercial departments at all levels properly carry out five tasks at present and over a period in the future. The vast number of cadres, staff members, and workers, the leaders at all levels in particular, must earnestly study the decision of the 3d Plenary Session of the 12th CPC Central Committee and treat the decision as a program of action in creating a new situation in the work of supply and marketing cooperatives. [Excerpts] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 11 Dec 84]

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ECONOMIC DEVELOPMENT ZONES

OPEN DOOR STRATEGIES FOR FIVE EDZS DISCUSSED

Beijing LIAOWNAG /OUTLOOK/ in Chinese No 33, 13 Aug 84 pp 12-15

/Article by Yin Ming /1438 7686/: "Taking a Substantial First Step: A Number of Leading Cadres From Coastal Cities Discuss Opening up to the Outside World"/

/Text/ The mayors and vice mayors from the 78 cities in the nation's 25 provinces and autonomous regions recently participated in the second Mayors Research Course in Beijing. We interviewed vice mayors from five coastal cities and asked them how they were going to proceed with the first step of opening up to the outside world.

Yu Junhe /5713 0193 7729/, Vice Mayor of Yantai, Revealed: "We Have 630 Residences Awaiting New Owners."

This captivating caption to the photograph /not shown/ is not idle talk but a specific measure adopted by Yantai for bringing in talented personnel for its development.

Yu Junhe said that talented personnel are the key to opening the construction of the port and city of Yantai. From the viewpoint of Yantai's present situation and prospects for development, no matter how many talented people it has, it is still deficient with respect to quality. Thus, solving the problem of talented personnel is both a project of vital and lasting importance and is an urgent matter. We must have a sense of urgency for this and must give this work top priority. There are only two methods: the first is to bring in talented personnel from the outside and the second is to train them in Yantai.

First, Yantai must utilize the new trend of a rational flow of the country's talented personnel, invite applications and accept the worthy ones from every quarter. In the past 3 years, Yantai has brought in more than 4,000 talented personnel in such fields as the natural sciences and social sciences. Recently, the municipal party committee also sent a small work group to be stationed in Beijing. They published a notice in the paper that publicly invited applications for the job so as to persuade people with lofty ideals to come to work in Yantai, and the number of these applicants has grown with each passing day. The municipal party committee and municipal government decided to allocate the 630 newly-constructed housing units to invited workers. The organizing departments and personnel offices have full authority to issue transfer orders and housing

permits, and no unit or individual is permitted to use this housing. At the same time, we must pay close attention to the construction of new residences and welcome the arrival of a large group of talented personnel.

Vice Mayor Yu also said that we must train by stages and in groups the scientific and technical personnel and management personnel who are presently at their posts so to raise their quality. First, we must hold many different types of training classes and, second, we should send them abroad to observe and study, send them to other provinces to study and enroll them in universities and colleges.

He said that we are trying, through the appropriate channels, to invite a few retired foreign scientific and technical personnel and technical workers to pass on advanced technology and to help improve management and administration. This is helpful to the four modernizations and can allow the "extra talent: from abroad to come and illuminate China.

He also stressed that in solving the problem of talented personnel, it is not a long-term plan only to depend on bringing them in. We must also be primarily self-dependent and depend on our own strengths to train them. With just this on our minds, we are preparing to establish Yantai University. This is a new comprehensive university: the students pay their own tuition and after they graduate they are not assigned work but may go where they choose. The purpose in running the school is to proceed from the economic construction of Yantai and stress the training of qualified personnel in such fields as food, construction, electronics, management and foreign languages. In the near future we plan to accept 3,000 students and in the distant future we plan to have 10,000 students. Currently, all enterprises, institutions and rural areas have a great amount of enthusiasm in collecting money to run the school. We are confident that running this university will basically eliminate the talented personnel problem at home.

Yu Junhe is from Wuxi in Jiangsu Province. In 1954, after he graduated from Tongji University in Shanghai, he worked all the rest of the time in Yantai, and it has already become his second home. He said that Yantai is a rich area. "We welcome comrades who aspire to build the new Yantai."

Nantong's Vice Mayor, Ge Zhongkang /5514 1813 1660/, Says: "Traditional Industries Must Improve, New and Developing Industries Must Grow"

He feels that each coastal port city, whether big or small, has their own superiorities, namely, the pillars that they rely on for existence and development. Proceeding from the actual circumstances of Nantong, how should we develop our strong points and avoid our weaknesses, choose the economic "break-through points" that will take off and create conditions for further opening up to the outside?

He said that Nantong must base itself on consolidating and improving traditional industries, e.g., the textile industry, and on this basis develop newly-emerging industries.

Nantong's textile industry has a long history--dating from 1895--and China's famous modern industrialist Zhang Jian established the nation's first self-run textile mill (presently the No 1 National Cotton Mill). For example, Nantong has already developed into one of China's textile bases. The city uses 450,000 spindles and 26,000 cotton machines. It has the complete equipment to produce the "five fabrics" (cotton, silk, linen, wool and chemical fibers) and the "six synthetic fibers" (polyester, acrylic, polyvinyl chloride, polyamide, polypropylene and polyvinyl alcohol). In the past few years, Nantong has used more than US\$60 million in foreign investments, and most of this investment has been used in the light and textile industries. It has greatly increased the strength of the light and textile industries and has laid down an excellent base for future development.

With regard to natural conditions, it can be said that Nantong's textile industry enjoys exceptional advantages. Nantong is one of the country's key cotton-producing regions and it also abounds in roundpool jute and silkworm cocoons. It has extremely broad prospects for development.

In considering the next step, Ge Zhongkang said that through opening up to the outside world, Nantong must bring in foreign capital, strive to strengthen technological transformations, promote improved and updated equipment, continuously raise the quality of products, increase the variety of colors and designs and strengthen competitive capabilities in both domestic and foreign markets.

He also said that Nantong is basing itself on consolidating and improving traditional industries in order to create conditions and to develop a newly-rising industry vigorously. Based on the city's advantageous conditions, Nantong is also devoting itself to using microprocessors, communications equipment, integrated circuits and different types of applies electronics equipment as keys to the electronics industry. At the same time, Nantong is also using its abundant resources of agricultural produce and sideline products and is further developing the food and feed industries as well as other rising industries.

Zhanjiang's Vice Mayor, Tang Wenfan /3282 2429 5672/, Stresses: "Our Plan Must Seek the Truth from Facts in the Short Term and Long Term"

"Zhanjiang has outstanding conditions for implementing the open door policy. However, I am afraid to say that it is not necessarily correct if we place our main strengths on a few big projects. This is because, after all, we currently do not possess that kind of strength. We must alway remember the experiences of history: act according to your capability and handle business according to scientific laws." In answering the reporter's questions, Tang Wenfan frankly explained his views.

He said that in towns like Zhanjaing, the work of primary importance in opening up to the outside world is to draw up a development plan carefully so as to avoid blindness.

Before the Central Committee made the decision to open up to the outside world, Zhanjiang made a systematic investigation and drew up a preliminary municipal

construction plan. Now, the city has also combined the needs of opening up and, furthermore, has asked experts to carry out feasibility demonstrations and has enriched and improved this plan.

In discussing the fact that Zhanjiang has two plans in opening up to the outside world, Vice Mayor Tang said: "It must be divided into two steps. The short-term plan mainly focuses on technological transformations of existing enterprises and making early preparations for a small development zone."

Zhanjiang's electric household appliances are famous throughout the country and its electronics enterprises have a certain strength. Thus, Zhanjiang has decided to use its foreign capital primarily to equip these enterprises with advanced technology and from an entire set of production capability. At the same time, Zhanjiang must also gradually develop projects that serve petroleum exploration in the South China Sea and serve harbor production. Furthermore, it must step by step develop a food industry that primarily relies on the processing and comprehensive utilization of cane sugar.

Tang Wenfan said that these tentative plans basically correspond to Zhanjiang's actual circumstances. Even though on the surface this plan is not dynamic, nevertheless it can yield fairly large economic results within a short period of time. He said that there are advantages in being steady during the initial phases and that Zhanjiang should take it step by step and yield substantial results so as to strengthen confidence and influence gradually in attracting foreign capital. However, it is not sufficient to have only short-term goals: Zhanjiang must also have boldness, resolution and a broad vision and must dare to do big things. Great goals cannot help but produce great strength.

When introducing the long-term plan, he said that Zhanjiang has Donghai Island off its eastern coast. The island has a large man-made dyke that connects the island with the mainland. In here there are excellent conditions for building a harbor and also a "bridge tower" for oil exploration in the sea. In the future we can again run a large dyke that connects with the mainland, build a project that blocks up the sea, use the surrounding water to develop an aquatic product-breeding industry and solve the problem of a freshwater supply. On the island Zhanjiang will gradually build an industrial colony that uses such heavy industries as petrochemicals, shipbuilding, construction materials and metallurgy as primary and light industry as secondary and will also use Weilu Harbor and Dongcan Harbor as key transfer bases for import and export trade. Zhanjiang can also use the island's vast forest belt and beautiful beaches to develop the tourist industry. He said that at that time, people will treat Zhanjiang with increased respect.

Hu Weide /5170 3634 1795/, Vice Mayor of Lianyungang, Points Out: "We Must Focus on Cooperating Internally and Build a Good Foundation"

When the reporter asked what plan Lianyungang had after opening up to the outside world, Hu Weide said that after giving it serious consideration, from the viewpoint of present conditions, Lianyungang's first task will be to make a good base, to focus on internal cooperation and to accumulate strength for future development.

He explained that bringing in foreign capital and advanced technology and expanding economic strength are certainly the guide to the open door policy. Yet these are not goals that can be accomplished in one step. Lianyungang definitely must suit measures to local conditions, look for the very best plan by seeking the truth from facts and guard against blindness and get half the results with twice the effort. The state can only give the large policy to Lianyungang, and what it does specifically depends on what methods the city itself can think of.

Lianyungang is situated on one of China's main east-west arteries--the eastern section of the Gansu-Haizhouwan Railroad. Lianyungang is "a lobe of the lung" on the Gansu-Haizhouwan Railroad for handling the internal circulation and foreign sale of goods. Its main role is to change trains. Further, due to objective conditions, it mainly exists and develops because of the port, and thus it has only a single function. Lianyungang's industrial base is flimsy, and this is further complicated by the substandard facilities of the economic base. At the same time, it also has geographic superiorities that are incomparable with other port cities, namely, the 11 provinces and autonomous regions and more than 200 million people that the Gansu-Haizhouwan Railroad and the Lanzhou-Xinjiang Railroad serve are Lianyungang's "economic hinterland," and its potential for development is difficult to estimate.

Hu Weide said that Lianyungang's strengths and weaknesses are truly an important foundation for drawing up a development plan. They feel that they must more competently bring in foreign capital in greater quantities. They must first of all cultivate a certain amount of "soil," and whatever industries they themselves find necessary will be run on this land. Thus, in starting this stage, Hu is afraid that the results will not be very good if "bringing in from the outside" is blindly stressed. It is still not as good as using the advantageous conditions from the vast stretches of hinterland and first striving for "internal cooperation" so as to accumulate funds as quickly as possible. At the same time, Lianyungang should use "internal cooperation" to promote "bringing in from the outside." they feel that this is in fact a "short cut." Certainly, this does not exclude importing some advanced technology during the present stage. For example, they have already signed a contract with Japanese businessmen using joint funds to build a beer plant. However, they must act according to our capabilities in "bringing in from the outside."

In order to strengthen "internal cooperation," they welcome factories to come to Lianyungang to run enterprises. They can be run independently or in joint ventures with Lianyungang. It is also permissible to engage in joint ventures with foreign businessmen and to run the enterprises in Lianyungang's economic development zone. Business from harbors can also be jointly run. Currently, Lianyungang is discussing the problem of the export of fur products with Xinjiang. Lianyungang welcomes the economic hinterland to come and run "local wharves" or to adopt an independent or joint-venture method and develop coastal industry.

We asked: "Don't you feel that you will suffer losses doing it that way?" The vice mayor replied: "I am afraid that if we ignore actual conditions and act blindly we will suffer even greater losses in the future. Currently, not only can expanding 'internal cooperation' accumulate funds for 'bringing in

from the outside' and increase our capability to be self-reliant, but it can also train a large group of talented personnel who meet the needs of 'bringing in from the outside.'"

Ma Yunbo /7456 0061 0590/, Vice Mayor of Wenzhou, Feels: "Wenzhou Has Great Potential for Developing Its 'Software'"

He said that Wenzhou's industrial base is flimsy and its strength is substandard. Wenzhou is situated on the southeastern coast and for many years it was considered a front for national defense and emphasis was placed on war preparedness; not much construction was undertaken. Thus there is the saying: "Wenzhou was a frontline in the 1950's, a battlefront in the 1960's and a weakfront in the 1970's"; economically it is behind by three steps. As for the "software" that he spoke of, what he means is that the development of talented personnel and intelligence in economic construction hold a dominant position.

Wenzhou has a long history. During the Xia, Shang and Zhou dynasties it was famous for the production of bowl-type pottery and had the name "eastern bowl town." Its opening to the outside world can be traced way back to as early as the 12th and 13th centuries when it had trade relations with Nanyang. Wenzhou's foreign trade was vigorous and second in scope only to Quanzhou. In 1876, Wenzhou was opened up as a foreign trading port. In addition, Wenzhou had little land and throngs of people and always engaged in a good deal of trade with foreign countries. Weather and superior geographic position as well as distinctive ways to make a living for a long time imperceptibly influenced the people of Wenzhou to have such special characteristics as cleverness and defeness and adeptness at management.

Currently, Wenzhou has 10 famous industrial trade market towns which all possess distinguishing features. For example, the Yongjiaqiaotou button market has assembled more than 3,000 types of button products from throughout the country. Even Xibei and Xinan have come here to place orders for buttons. One remote seaside town actually has this kind of "condensed power." It is clear that the people of Wenzhou are adept at business.

Ma Yunbo especially introduced the renowned "Qindiao"-brand condensed milk (which recently was awarded a national silver medal for quality). He said that Qindiao condensed milk entered the international market as early as 1926 and even surpassed the British name-brand products. The creator of this kind of condensed milk was a capitalist from Wenzhou. This type of capable businessman can often be found in Wenzhou.

Wenzhou is a famous home to overseas Chinese. Currently, there are approximately more than 33,000 overseas Chinese from Wenzhou residing in 47 nations and regions. Having experienced decades of hardships and struggle, many of these people have already become outstanding scholars, experts and industrialists. They are extremely concerned about the construction of their hometown, and last year the foreign exchange received from overseas Chinese totaled \$7.71 million, 30 percent of the foreign exchange received in the entire province from overseas Chinese. After the news spread that Wenzhou had become an open city, many overseas Chinese and compatriots from Hong Kong and Macao directly sent letters and

either entrusted them to friends and relatives or made special trips and expressed their willingness to make an effort to open up their hometown and make it prosperous. They have attracted foreign capital for Wenzhou and have done a great deal of work acting as go-betweens. These people have important potential which cannot be underestimated in Wenzhou's opening up to the outside world.

Ma Yunbo discussed with pride the fact the Wenzhou has nurtured many distinguished scholars, especially mathematicians. They also are an effective force in developing their hometowns.

"Software"--abundant intelligence resources--makes up Wenzhou's superiorities which are richly endowed by nature. The day that Wenzhou's "software" is run will be the day its economy takes off.

12437

CSO: 4006/42

ECONOMIC DEVELOPMENT ZONES

STEADY DEVELOPMENT OF ZHU JIANG DELTA REPORTED

Guangzhou YANGCHENG WANBAO in Chinese 9 Sep 84 p 2

[Article by correspondent Zeng Guangcan [2582 1684 3503] and reporter Li Ke [2621 0344]: "The Thriving Land of Plenty: The Economic Outlook of the Zhu Jiang Delta Has Undergone Tremendous Changes in the Last 5 Years; Total Industrial and Agricultural Output Value Rose by More Than 5 Percent and the Rural Per-capita Income Increased by Over 300 Yuan, or 85 Percent Higher Than the Average Level of Other Counties in Guangdong Province"]

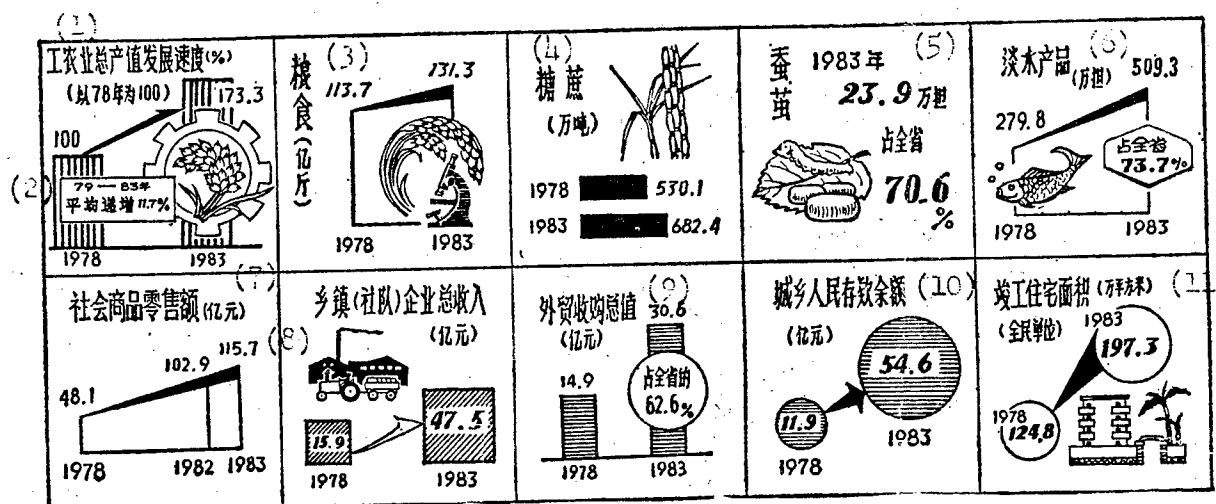
[Text] Guided by the central policy of opening to the outside world and enlivening the domestic economy, the economic outlook in the Zhu Jiang delta region, the famous land of plenty in Guangdong, has undergone tremendous changes in the last 5 years.

According to the statistics compiled by the departments concerned, comparing 1983 with 1978, the total industrial and agricultural output value in the Zhu Jiang delta region rose 73.33 percent and the average annual progressive increase came to 11.7 percent. Among them, the total industrial and agricultural output value of Guangzhou City, Foshan City, Nanhai County, Shunde County, Zhongshan City and Dongguan County exceeded 1 billion yuan; financial revenue increased 46.88 percent; the total value of purchases for foreign trade rose 104.82 percent; foreign exchange income jumped 226.71 percent; the rural per-capita income increased by 368 yuan, reaching 484 yuan, or 85 percent higher than the average level in other counties in Guangdong; and the average per-capita wage of workers and staff members in industrial enterprises in the cities was up 403 yuan, amounting to 1,121 yuan.

The Zhu Jiang delta has always been a production base of commodity grain, sugar cane, mulberries for silkworms, fish from ponds and fruits in our province. It is also a nationally known homeland of many Chinese living overseas. Since the 3d Plenary Session of the 11th CPC Central Committee, various cities and counties in the Zhu Jiang delta have energetically utilized foreign capital and have imported advanced technology and equipment, thereby initially giving play to the superior conditions in this region. In the past, there were not too many state backbone enterprises here, most of the medium-size and small enterprises' equipment was outmoded and management was rather backward. By utilizing foreign capital and importing technology and equipment in recent years, many trades and a number of old enterprises went through technical

transformation to some extent, thus bringing about a number of advanced modernized enterprises. According to statistics, between 1979 and 1983 the Zhu Jiang delta signed a total of 25,000 economic contracts of various types, and of the \$4 billion in investments by foreign businessmen stipulated in the contracts, more than \$1.08 billion were used. In early 1980, the technical equipment of an advanced international level being used in Foshan City only accounted for 0.73 percent of the industrial technical equipment in the whole city; however, the proportion rose to 10.88 percent in the first quarter of 1983. In the Zhu Jiang delta region at present there are more than 200 factories using electronic computers to exercise enterprise management and control the industrial process.

Major Target Increases in Zhu Jiang Delta
(Prepared by the Provincial Statistics Bureau)

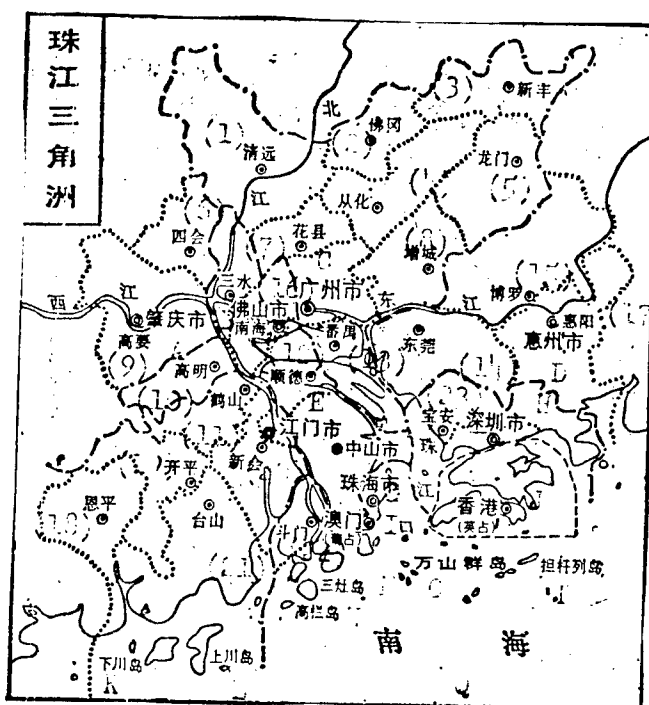


Key:

1. Rate of development of total industrial and agricultural output value (percent) (1978 = 100)
2. Average progress increase of 11.7 percent, 1979-1983
3. Grain (100 million jin)
4. Sugar cane (10,000 dun)
5. Silk cocoons: 23,900 dan in 1983 or 70.6 percent of the province's total
6. Fresh-water products (10,000 dan) or 73.7 percent of the province's total
7. Total value of retail sales (100 million yuan)
8. Total income of village and town (commune and brigade) enterprises (100 million yuan)
9. Total value of purchase for foreign trade (100 million yuan) or 62.6 percent of the province's total
10. Savings deposits of people in the cities and countryside (100 million yuan)
11. Area of housing completed (10,000 square meters) (units under the ownership by the whole people)

The implementation of the policy of opening to the outside world and enlivening the domestic economy has brought about immense changes in the economic structure of the Zhu Jiang delta. Last year, the total income of the village and town enterprises in the entire region came to 4.75 billion yuan or over 60 percent of the total income of the village and town enterprises throughout the province. Specialized division of labor and coordination have developed further. In the rural areas in the Zhu Jiang delta at present, there are more than 122,000 key households and specialized households, accounting for 45.3 percent of the total number in the province. The various types of enterprises jointly operated and financed by the peasants are becoming fairly common and growing in size. Also emerging in succession are agricultural, industrial and commercial economic integration entities in various economic forms and scales together with different types of economic and trade centers.

Zhu Jiang Delta



This map showing the greater delta roughly includes 8 cities and 24 counties covering 46,100 square km. The lesser delta generally refers to Guangzhou, Foshan, Jiangmen, Zhuhai and Zhongshan Cities and Nanhai, Panyu, Shunde and Doumen Counties in all or part of Xinhui, Heshan, Gaoming, Sanshui, Zengcheng, Dongguan, Baoan and Shenzhen Cities and Counties, covering an area of approximately 11,000 square km. (Prepared by the cartographic room of the Guangzhou Map Publishing House.)

[Key on following page]

Key:

- | | |
|--------------|---------------------------------|
| 1. Qingyuan | A. Zhaoqing City |
| 2. Fogang | B. Foshan City |
| 3. Xinfeng | C. Guangzhou City |
| 4. Conghua | D. Huizhou City |
| 5. Longmen | E. Jiangmen City |
| 6. Sihui | F. Zhongshan City |
| 7. Huaxian | G. Zhuhai City |
| 8. Zengcheng | H. Shenzhen City |
| 9. Gaoyao | I. Macao (Portuguese occupied) |
| 10. Gaoming | J. Hong Kong (British occupied) |
| 11. Heshan | K. Xiachuan Island |
| 12. Shunde | L. Shangchuan Island |
| 13. Panyu | M. Sanzao Island |
| 14. Dongguan | N. Gaolan Island |
| 15. Boluo | O. Wanshan Islands |
| 16. Sanshui | P. Dangan Islands |
| 17. Huiyang | Q. South China Sea |
| 18. Enping | |
| 19. Kaiping | |
| 20. Xinhui | |
| 21. Taishan | |
| 22. Doumen | |
| 23. Baoan | |

As economic construction develops, the standard of living of the workers and peasants will vastly improve. The tendency of "high speed, high efficiency, high economic results, high income and high consumption" has begun to appear in some places. According to an investigation conducted in 1983 on random examples, in Guangzhou, Foshan and Zhaoqing Cities, there are 92 television sets, 70 radio recorders, 37 washing machines and 13 refrigerators for every 100 households. The amount of savings deposits of the people in the urban and rural areas in the Zhu Jiang delta region last year totaled 5.456 billion yuan, 3.57 times greater than that in 1978.

12662

CSO: 4006/44

ECONOMIC DEVELOPMENT ZONES

RENMIN RIBAO ON GUANGZHOU ADMINISTRATIVE REFORM, FOREIGN INVESTMENT

HK091000 Beijing RENMIN RIBAO in Chinese 8 Nov 84 p 1

[Report by reporter Huang Xingqun [7806 1630 5028]: "Guangzhou City Streamlines Administration and Institutes Decentralization; the Number of Investors Increases Markedly"]

[Text] Guangzhou, which is the first among the large cities throughout the country to carry out special policies and flexible measures, is making further efforts to open to the outside world. From January to September this year the city signed 70 contracts on joint ventures using Chinese and foreign investment, on cooperation between Chinese and foreign businessmen, and on compensation trade, averaging 1 contract in less than 4 days; the total amount of foreign investment reached \$107.98 million. An increase of about 350 percent over the total foreign investment amount last year.

Since the beginning of this year, the number of foreign businessmen coming to Guangzhou to discuss trade and investment has markedly increased. Especially since Guangzhou was designated as one of the coastal cities opening wider to the outside world, contacts with foreign countries have become more frequent. In an effort to cope with this new situation, Guangzhou has set up a group for examining and approving imported projects using foreign funds in order to strengthen planning and coordination. At the same time it has adopted a series of measures aimed at streamlining administration and instituting decentralization. First, it has expanded the power of districts, counties, and bureaus to examine and approve imported projects using foreign funds. Second, it has simplified the examination and approval procedure. The previous four steps needed for the examination and approval of an imported project has now been reduced to two. Third, it has instituted the practice of "handling official business under the same roof." A few principal units dealing with foreign affairs, such as the consultant corporation under the city commission of foreign economic relations, the city trust and investment corporation, the Yangcheng accountant firm, the Youyi labor service corporation, the lawyers firm, and the Zhujiang branch of the Bank of China, have set up a joint administrative body at the Dongfang guest house. Thus, when foreign businessmen want to hold business talks, they no longer have to run around here and there to look for their counterparts in business. The implementation of these measures has considerably reduced the time needed for the examination and approval of a project. Quite a few problems which previously

could not be settled in 6 months or 1 year can now be solved in 1 or 2 months and some can be solved in days or even hours.

Guangzhou has carried out the import of foreign funds this year in an energetic, lively, and active way. On the eve of the Mid-Autumn Festival this year, it departed from the previous practice of waiting for the arrival of foreign businessmen by sending to Hong Kong an economic and trade delegation headed by a principal leader of Guangzhou. There they briefed foreign businessmen on China's policy of opening to the outside world, the investment prospects in Guangzhou, and held a product sales exhibition. In 10 days more than 10,000 people visited the exhibition or went there to hold trade talks. Business deals worth more than \$48 million were concluded and 24 contracts and agreements on technological cooperation were signed.

CSO: 4006/90

ECONOMIC DEVELOPMENT ZONES

SHANGHAI ADOPTS NEW POLICIES TO BOOST TRADE

HK120743 Beijing CHINA DAILY in English 12 Dec 84 p 1

[Article by Zhen Fan]

[Text] Shanghai--Shanghai has adopted special policies, similar to those in the special economic zones, to develop foreign trade. The newly adopted policies include concessions on taxes and customs duties, preferential markets for joint ventures, comanaged enterprises and sole-investment enterprises.

This was revealed by Lu Guolian, director of the Shanghai Foreign Economic Relations and Trade Committee, at a symposium on Shanghai foreign trade, sponsored by the Shanghai Foreign Service Company (SFSC) here on Thursday. Lu said income tax could be reduced to 15 percent after approval by the Ministry of Finance. Some imported equipment and materials of those enterprises would be exempt from customs duties and industrial and commercial tax.

Lu said those enterprises would be authorized to recruit, hire, transfer or dismiss employees. Wages and bonuses to workers of comanaged enterprises would be set by their board of directors.

About 150 people attended the symposium, including representatives from the Shanghai offices of foreign firms, joint ventures, consuls or economic attaches of France, Federal Germany, Japan, Australia, Poland and the United States.

Lu said that recent years had seen the rapid development of Shanghai's foreign trade. In 1983, the value of Shanghai's exports had been \$2.84 billion. The annual growth rate had been 11 percent in the 5-year period from 1979 to 1983. During that period, the city's exports had increased 60 percent compared with the previous 5 years, he said.

This year, the value of Shanghai's imports was expected to increase 40 percent compared with last year, or 2.5 times that of 1979, the director said. According to last year's statistics, the city had trading partners in 166 countries and areas. "I believe," Lu said, "Shanghai's foreign trade will expand faster. This is an inevitable trend."

From the beginning of this year to the end of November, Shanghai licensed 20 joint venture enterprises, while in the 1979-1983 period, admitted only 10.

The city now has 31 joint venture enterprises. Nineteen are with Hong Kong firms, 6 with American firms and 1 respectively with Britain, Federal Germany, Belgium, Switzerland, Poland and Thailand.

Two sole-investor enterprises have been set up in Shanghai. Lu said one was 3M China Corporation Ltd. owned by American 3M Corporation; the other was Huarong Enterprising Corporation Ltd. run by overseas Chinese. All those enterprises have, according to the signed contracts, absorbed \$640 million in foreign investment, of which some \$500 million came from contracts signed in the first 11 months this year, the rest were in the last 5 years. Some 100 investment projects were now being discussed with foreign firms, Lu revealed.

The director said that as far as technical imports were concerned, Shanghai had imported 290 items, totaling \$300 million between 1979 to 1982. In 1983, some 270 items, totaling \$200 million, had been imported, and this year was expected to be more than last year.

As for overseas engineering projects and labour service, the city had made a good start, Lu said. The city had contracted for \$58 million in overseas engineering projects, and had sent or would soon send 1,200 workers on overseas service. Some 100 overseas engineering projects were being discussed, totaling \$150 million, according to Lu.

CSO: 4020/53

ECONOMIC DEVELOPMENT ZONES

SHANGHAI GIVES TECHNICAL AID TO OTHER REGIONS

OW141237 Beijing XINHUA in English 1219 GMT 14 Dec 84

[Text] Shanghai, December 14 (XINHUA)--Engineers from the Shanghai Energy Utilization Technological Institute are helping install a 4,000-square-meter solar water heater in Lhasa, also known as the "City of Sunlight" in Tibet, where solar energy resources are abundant. This is one of 18 technical co-operation projects undertaken jointly by Shanghai and Tibet this year.

Shanghai, the biggest industrial city in China, was appointed last year by the central authorities one of the four major partners to help speed up economic development in Tibet. The three others are Tianjin, Sichuan and Zhejiang.

Since 1983, Shanghai has signed agreements on 517 technical cooperation projects with regions inhabited by minority peoples including Yunnan, Ningxia, Xinjiang, Tibet and Qinghai, to aid in their economic development. This is over twice the number signed between 1978 and 1982, municipal government officials said.

Under a contract with Ningxia Hui Autonomous Region, Shanghai is helping revamp a ferroalloy plant with funds and technology in exchange for ferrosilicon. Cooperation projects with Ningxia are mainly in light and food industries, producing washing machines, glassware, woolen goods, confection, pastries and soyabean products.

Besides, scientists and experts from the Jiaotong University in Shanghai have been sent to Xinjiang Uygur Autonomous Region, northwest China, to undertake various surveys with a view to providing consultancy service in preparing Xinjiang's economic development program. The university also sponsored scientific and technical training courses for personnel from Xinjiang.

The Shanghai Municipal Government has also adopted a number of measures, including tax concession and providing loans, to encourage local enterprises, research institutes and colleges to establish direct technical transfer links with these resource-rich and economically underdeveloped regions.

CS0: 4020/53

ECONOMIC DEVELOPMENT ZONES

FOREIGN INVESTMENT IN SHANGHAI INCREASES

OW151444 Beijing XINHUA in English 1236 GMT 15 Dec 84

[Text] Shanghai, December 12 (XINHUA correspondent Yuan Jin and Lou Bach)-- A surge in foreign investment is one of the latest achievements of Shanghai in implementing the current open policy. In the first 11 months of this year the city approved the establishment of 37 joint-venture and coproduction projects, which involve a total foreign investment of more than 500 million U.S. dollars, five times the figure for the 1979-1983 period.

The projects cover light industry, textiles, electronics, automobiles, building materials, hotels and housing, said Lu Guoliang, director of the Shanghai Municipal Commission of Foreign Economic Relations and Trade.

"Greater decision-making power given to Shanghai is in part responsible for the increase in foreign investment," Lu said.

As one of China's 14 coastal cities designated to open wider still, the city is now entitled to authorize projects involving up to 30 million U.S. dollars. Higher job efficiency on the part of the municipal authorities has also boosted investment, Lu added.

Red-tape has been reduced with the establishment of the Municipal Foreign Economic Relations and Trade Commission by merging three municipal offices--the Import and Export Office, the Foreign Trade bureau and the Foreign Economic Relations Liaison Bureau.

Technology imports have also made great headway. In 1983, the city [word indistinct] items of technology worth 200 million U.S. dollars. The number of items this year will surpass that of 1983, with value topping 300 million U.S. dollars.

The 1985 plan is to import 400 items of technology, covering printing parts and accessories for automation meters and instruments, high-polymer materials and dyes, food processing, [words indistinct] and photographic equipment.

Shanghai has trade relations with Hong Kong, Macao and 160 foreign countries.

Exports continue to grow in Shanghai, following consecutive increases from 1979 to 1983 which averaged 11 percent a year. The total volume of exports

handled by the city this year is expected to reach 3.6 billion U.S. dollars, 15 percent of the nation's total.

Meanwhile, the total volume of Shanghai's imports will be up 40 percent over 1983.

CSO: 4020/53

ECONOMIC DEVELOPMENT ZONES

WORK STARTS ON TIANJIN ECONOMIC, TECHNOLOGY ZONE

HK180403 Beijing CHINA DAILY in English 18 Dec 84 p 1

[Article by Chen Li]

[Text] Construction of factories on the first plot of the Tianjin Economic and Technology Development Zone (TETDZ) will begin next June, and joint ventures are expected to start operation by the end of next year, the zone's director said yesterday. About 200 bulldozers have been working on the three square kilometers plot for more than a week and more vehicles and workers are on their way.

"We are entitled to a loan of 800 million yuan over four years to develop the first plot," Zhang Zhaorao, director of the TETDZ administrative committee, told CHINA DAILY in an interview. "We have also been authorized to approve projects involving investment of less than \$20 million," the 53-year-old director said.

The TETDZ, 50 kilometres southeast of Tianjin, is only a few kilometres from Xingang port in the Tanggu district. The zone has the sea to the east, the Beijing-Shenyang railway on the west and the Beijing-Tianjin-Tanggu expressway in the south.

The TETDZ is intended to serve the municipality's ambitious program of turning it into one of the country's major economic centres, with an advanced technology, a developed industry, an active cultural life and brisk commerce, and a port city with international trade.

For this purpose, the first plot of the TETDZ will be mainly devoted to five kinds of joint ventures and enterprises using foreign investment exclusively: those involving advanced technology; those beneficial to the technical upgrading of the municipality's existing enterprises; those processing timber, sugar, grain and other products, those exploiting local resources; and those producing new consumer products.

According to Zhang, a number of joint ventures are waiting anxiously to come in, including a mold factory for electronic products, a special ink factory, a polyester-carpet factory and a marble processing mill.

About 150 joint ventures and enterprises using foreign investment exclusively will have been set up on this plot in about four to five years, he said.

He said his committee will make every effort to help these ventures be profitable.

On staffing, Zhang said: "If local students enrolled to be workers are not qualified, skilled workers in other enterprises in the urban area will be transferred."

He also said: "We have decided that workers in joint ventures should get at least 70 percent of what their board of directors pay for their work, so that their initiative and enthusiasm can be brought into full play."

The life of investors will also be made as enjoyable as possible, he said. Already at the planning stage is a 15 square kilometre living area with a supermarket, a duty free shop, steambaths, bars, dancehalls, gyms, cinema, a park and a guesthouse.

A complex with restaurant and food store was completed recently and will start business in January. An 18-hole golf course is now under construction. A street will be devoted to Western clothing shops, self-service laundries, a beauty parlour and shops with imported goods.

CSO: 4020/53

ECONOMIC PLANNING

USE OF LAW OF VALUE, ECONOMIC LEVERS IN PLANNING VIEWED

HK071023 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 10, 20 Oct 84
pp 30-32

[Article by Chen Zhongsheng [7115 1350 0524], a postgraduate student in the Economics Research Section of Nankai University: "How the Law of Value and Economic Levers Are Applied in Mandatory Planning"]

[Text] The report to the 12th CPC National Congress points out that both in mandatory planning and in guidance planning, we should "consciously apply the law of value and economic levers such as prices, taxation, and credit in order to guide our enterprises in satisfying the requirements of the state plans." This article attempts to make some superficial analyses on the question of how the law of value and economic levers are applied in our mandatory planning.

I

We can analyze the question of how the law of value and economic levers are applied in mandatory planning, through looking into two aspects of the question, namely, the formulation of the plans and the implementation of the plans. Concerning the formulation process:

First, we should fully utilize market information and market mechanism to make the policy decisions of our plans and the plans themselves more scientific. In a situation whereby commodity production and exchange exist in a widespread manner, people's demands are shown in their demands for commodities and can only be reflected in commodity exchange. This characteristic of their demands causes certain difficulties in calculating the social demands. In the light of this characteristic, in making policy decisions and formulating mandatory plans, we should make as much use as possible of market information and analyze and forecast the market situation. We should put forth feasibility schemes through adequate reasoning and prevent the practice of "reasoning without practical data," thus making our policy decisions correct and plans scientific.

Second, we should satisfy the inherent and objective requirement of the law of value on proportionate and balanced development. In the past, we had a fixed idea that in striking an all-round balance in our plans, we should only use the law of planned development and should not use the law of values as it has nothing to do with the process of striking an over-all balance. This idea fails to

take all aspects of the process into consideration. I think that the law of value and the law of planned development conform to each other in requiring the proportionate development of economy. Therefore, we should by no means regard proportionate development as what is only required by the law of planned development, but should regard it as what is jointly required by several laws. While consciously striking a proportional balance of development, we should apply the law of value. This is the major role of the law of value in formulating mandatory plans. The key to the question is that we must earnestly achieve a proportionate balanced development. Only this practice shows that we have really utilized the law of value and the law of planned development. Our country's many years of practice of planned economy shows that in reforming our mandatory plans, we should mainly eliminate gap [que kou 4972 0656] planning and the formulation of plans simultaneously by many departments.

1. One of the conditions for a mandatory plan is that the targets for the supply of materials should match the targets for the output of products. However, for a long time our country practiced gap planning so that there were no guarantees for the supply of materials and goods in many of our production plans. For example, Chongqing City had a gap of 50 percent in the supply of major materials and goods such as rolled steel, timber, and stone required by the targets of its plan. The theoretical foundation for this gap planning is the so-called theory of "positive balancing," which upholds giving play to the initiative of localities and enterprises in finding sources of materials and goods for themselves in fulfilling high targets. Obviously, this is a false balance. For the amount of materials that will actually be found is indefinite. Practice has proved that this is an important cause of man-made confusion and imbalance and is an important reason that our mandatory plans have failed to work. Moreover, it is also a major manifestation of the lack of scientific nature in our mandatory plans. Therefore, we should adopt various kinds of measures to eliminate gap planning:

1) We should reduce the scope of mandatory planning. We should let the part that the state cannot deal with in striking the balance, that is, the part that the mandatory planning fails to cover, be readjusted by guidance plans or be regulated by market mechanism. 2) We should switch from the practice of striking a partial balance into the practice of striking an all-round balance of the whole society. The State Planning Committee is an organization in charge of all-round balance, but it can only control the materials and goods, and funds that are under the centralized management of the central authorities while a large amount of local materials, goods, and funds are not included in the committee's scheme of balance. In striking a balance of the total supplies and total demands of the whole society, we should include in this balance not only those items included in our budgets and plans and those within the scope of the state-run economy, but should also take into account all the production and demands that are not included in the budgets or plans and all the production and demands of the collective and individual economies. Of course, an overall balance of the whole society does not mean that everything should be managed and controlled by the state, but means that we should link the plans of the basic-level units with the plans of various localities, making local and central plans take account of each other and thus form a unified national network and system of planning, and that we should also take measures to enable our central balancing organization understand the layout of major materials and goods, and funds in all areas of the

country and thus enable the central authorities to make all-round arrangement and strike an overall balance. 3) We should appropriately increase the percentage of important materials and goods that are allocated by the state in a planned manner so as to strengthen the material foundation of planned management. During the past few years, means of production have entered our market as commodities. This will facilitate enlivening our economy. However, on the other hand, the percentage of important materials and goods that are in the hands of the state is reduced. For example, the state only allocates 55 percent of coal. This has to a fairly great extent aggravated the defects of mandatory plans, and has to a certain extent weakened the material foundation for the planned management of our national economy. For example, Zhejiang Province's coal supplies have been increased because the province has doubled its coal output in the past few years, but the quantity of coal that is put into the hands of the state for centralized allocation has not increased and the coal supplied through cooperation has totaled 2 to 3 million metric tons a year. If this situation is allowed to last for a long time, the part regulated by market mechanism will be inappropriately expanded and this will inevitably weaken our planned economy. I think that we should appropriately increase the percentage of state allocation concerning the strategic materials and goods that are vital to our state plans and the people's livelihood. For example, we can maintain a certain proportional relation between the rate of increase in the amount controlled by the state and the annual growth rate of the output of the materials and goods.

2. Mandatory plans are formulated by many departments, whose targets fail to coordinate with one another or are even in conflict. This has been another cause for imbalance. For example, the planned targets for output, output value, profits, materials and goods are issued by different levels of departments through different channels. The planned targets for output are issued after the planning conference has discussed the initial plans put forth by various central ministries and provincial responsible departments and bureaus. The planned targets for output value are fixed by the planning committees at various levels. The planned targets for the allocation of the supplies of major raw materials and energy are issued in several ways. Some are issued to the lower levels in accordance with the planned targets or together with the projects that are assigned to the lower levels. Others are assigned in accordance with the division of labor among administrative areas. Still others are issued by various localities and departments. The planned targets for profits are issued by the financial departments at various levels. This practice of formulating plans by many departments separates the relations between various targets. The failure to dovetail different aspects of the same thing artificially causes confusion in our management and imbalance in our economic development. Therefore, it is necessary to strengthen the unity of the mandatory plans and ensure that these plans are formulated by one department alone. The plans of all sections should be delivered to the planning departments at various levels which will pool them and strike a balance between them. Then the pooled plans will be reported to the upper levels or issued to the lower levels. This will facilitate matching all the targets and the balanced development of our economy.

II

From the point of view of the question of how the law of value and economic levers are applied in the process of implementing mandatory plans, the major points are applying economic levers to readjust the economic interests of producers and heightening the initiative and consciousness of the producers in implementing the plans. There is one viewpoint that holds that the scope is limited for the application of economic levers in implementing mandatory plans. This viewpoint is not very correct. As a matter of fact, there is a wide scope for the application of economic levers in mandatory plans. The major aspects are as follows:

1. In the sphere of investment and capital construction, economic levers are applied to control the orientation and scale of expanded reproduction. In addition to applying mandatory targets of value to control the amount of investment in various departments and areas and to strictly restricting the power to approve investment projects, the state must also apply economic levers so as to exercise control through economic interests. For example, banks can use their credit to supervise the orientation of the investment, while financial departments can levy progressive taxes on investment and fix appropriate progressive tax rates to restrict the scale of investment.
2. In the sphere of production, certain pressure should be exerted and certain interests should be allowed for enterprises in order to give play to their initiative in implementing the plans. If the production and distribution of the products governed by mandatory plans are all directly managed by the state and the enterprises are only responsible for the implementation of the plans, the malpractice of "government running industries and commerce" will easily emerge. In order to urge our enterprises to strengthen their economic accounting work, we should charge them for the use of their fixed assets and quotaed floating funds and charge interest at proper rates on the non-quotaed floating funds that they have used. By so doing we will urge enterprises to conserve funds and speed up the circulation of their funds. In the sphere of prices, we can stipulate fixed prices for a 5-year plan and thus enable enterprises to profit by lowering their costs. In order to urge enterprises to fulfill the targets or to refrain from exceeding the limit that the plan fixes on their output, we can adopt the method of raising or reducing the prices of their products or the method of levying taxes or giving subsidies to encourage or restrict them.
3. In the sphere of distribution, equal economic conditions should be created for enterprises to fulfill the profit targets of the state plans and control the increase in consumption funds. The greater part of the income that an enterprise earns by means of its fine equipment and fine conditions of resources and sales, that is not the result of good management, should not belong to the enterprise. The state must collect this portion of the income into its exchequer by means of levying resources taxes or fixed assets taxes and thus eliminate the inequality among our enterprises. If an enterprise suffers losses because of the regulations of our economic policies, it should be granted subsidies. In order to encourage our enterprises to make greater contributions to

the state and fulfill the targets for profit delivery and tax payment, we should link the profits and taxes that they deliver and pay to the state with their total amount of wages, their level of retained profits, and the percentage of their retained funds and welfare funds. In order to control the increase in consumption funds, we can levy personal income taxes, progressive taxes on consumption funds, or progressive taxes on consumption funds with a threshold.

True, there is a wide scope for the application of economic levers in our mandatory plans, but mandatory plans mainly rely on administrative orders to ensure their implementation and they fix the orientation and quantitative targets for our economic activities, therefore, there is a certain limit to the degree of application of economic levers.

In applying economic levers, we should pay attention to matching the direction of the role of the levers with the requirements of our plans and should not fail to match them. Because economic levers themselves can reduce as well as increase the economic interests of producers.

In order to avoid failure in matching the direction of the role of the levers with the requirements of our plans, we should understand the characteristics of our economic levers. Generally speaking, our economic levers possess the following characteristics: 1) The reaction of our economic levers is sensitive. The various levers are "barometers" for the movement and balance of our national economy. Any change in movement and balance of the economy will be manifested rapidly through economic levers and conversely, the changes in various economic levers will also rapidly affect the conditions of economic movement and balance. 2) Economic levers can be flexibly applied. Our economic activities are complicated and apt to change. This requires that the guidance over our economic activities should also be flexible. The application of administrative methods is very likely to lead to "uniformity," while our economic levers are comparatively flexible, and can easily be applied to each case on its merits. For example, concerning our price policies, we can apply planned prices, floating prices, negotiated prices and free prices in light of different circumstances; we can also allow regional disparity in price, seasonal fluctuation in prices and the disparity in prices due to different quality and so forth in accordance with different requirements. 3) Our economic levers can replace each other. Each economic lever has its own specific sphere of activities, but from the point of view of the results of their role, they can replace each other. For example, in order to restrict or encourage the production of certain kind of commodity, we may obtain similar results through reducing or raising the prices, through increasing or exempting taxes, through providing preferential loans or ceasing to provide loans and so forth. 4) Our economic levers are related to each other. From production, circulation, and distribution to consumption, our social reproduction is an integrated unified process. Applying economic levers will not only exert a direct influence in a certain sphere, but also exert an indirect influence in other spheres. As a result, a chain reaction will take shape. For example, raising our prices will on the one hand stimulate our production, increase our supplies of commodities, and increase our profits and our tax revenue; and on the other hand, raising our prices will restrict and reduce our demands, reduce our profits and tax revenue, and even affect the proportional relationship of the two major categories. We should also study the characteristics of various economic levers themselves. For example,

our tax revenue is characterized by being compulsory and stable and by paying no compensation; our prices are characterized by their wide involvement and strong chain reaction; our subsidies and loans are characterized by generally small scope of involvement and greater flexibility and so forth.

In applying economic levers, we should also pay attention to the quantitative extent of application. It is thus imperative for us to make a careful and concrete analysis and study, to use modern science and technology and to utilize our equipment and means of electronic computers in order to build mathematical models. The important nature of the quantitative extent of application may be compared with the selection of the fulcrum of a lever: if the fulcrum is not satisfactorily selected, we could get only half the results with twice the efforts and new problems could crop up. For example, because of the irrational prices in the past, the output of our country's cotton, oil, and sugar could not reach the state planned targets in three-quarters of the years. During the past few years, because of implementing the practice of linking cotton with grain, linking sugar with grain, and raising our purchase prices and because of implementing various policies of encouragement and awards and so forth, the output of cotton, oil, sugar and so forth all greatly exceeded our production targets. We have switched from having surplus processing capacity into lacking enough processing capacity. As a result, there is a serious new problem of cotton, oil, sugar and so forth being stockpiled. This phenomenon shows the enormous regulative role of economic levers on the one hand, and on the other, it also indicates that our leading organizations should further improve their skill in applying economic levers.

In short, the question of how the law of value and economic levers are applied in our mandatory planning is a comparatively new problem and it is imperative for us to theoretically probe the problem and to sum up experience in our practice.

CSO: 4006/173

AGGREGATE ECONOMIC DATA

SHANXI BOOSTS GROSS INCOME, OUTPUT

Taiyuan SHANXI RIBAO in Chinese 21 Jun 84 p 1

[Article: "Shanxi Statistical Bureau Issues 1983 Report on National Economy and Results of Implementation of Plan for Social Development"]

[Text] According to the bulletin on the implementation of the 1983 national economic and social development plan issued on June 21 by the provincial statistical bureau, the gross value of social output in Shanxi Province in 1983 amounted to 28.18 billion yuan, up 12.6 percent over that of the previous year. Meanwhile, the national income, according to a preliminary count, was 12.36 billion yuan, up 12 percent over that of the previous year. The gross personal income in Shanxi in 1983 as well as the output of 12 categories of products such as vegetable oil, chemical fertilizer, hand-held tractors, trucks, synthetic rubber, cement, machine-made paper, board, etc., reached the 1985 target specified in the Sixth 5-year Plan 2 years in advance.

The bulletin pointed out that Shanxi's agricultural output last year was better than expected, its gross value for the whole year amounting to 6.68 billion yuan, up 5 percent over that of the preceding year and surpassing the 5-year Plan by 4.6 percent. In the industrial sector, the gross output value for the whole year gained 15.18 billion yuan, an increase of 13.7 percent over that of the preceding year and greatly surpassing the growth rate specified in the 5-year Plan. Shanxi's output of crude coal exceeded 15,918,000 tons, up 9.5 percent over that of the preceding year. Major industrial products such as electrical output, steel supplies, cement, chemical fertilizer, plastics and so forth went up by over 10 percent over that of the preceding year. In that year, capital construction, communications and transport, science, education, culture, public health, physical education and other projects in Shanxi all made great strides. With a thriving market and booming transactions, the people's living conditions continued to improve. There were also fresh gains in building a socialist spiritual culture.

12661

CSO: 4006/692

AGGREGATE ECONOMIC DATA

STEEL PRODUCTION IN SICHUAN REPORTED SOARING

Chengdu SICHUAN RIBAO in Chinese 11 Sep 84 p 1

[Article: "Daily Steel Output in August in Sichuan Province Shattered the 10,000-Dun Mark--A Generous Gift from Workers and Staff Members on the Iron and Steel Front in Celebration of the 35th Anniversary of the Founding of the PRC"]

[Text] The average daily steel output in Sichuan Province in August broke the 10,000-dun mark for the first time. The total monthly steel output came to 335,600 dun and the total industrial output value and output value of steel and rolled steel set the best monthly record. This was a generous gift from the workers and staff members on the iron and steel front throughout the province to the state in celebration of the 35th National Day.

Sichuan has encountered two difficulties in iron and steel production this year: fuel shortages, and price hikes for some goods and materials, causing immense difficulties in organizing production. However, in face of these difficulties and propelled by comprehensive reform, various iron and steel enterprises have implemented various forms of the system of contracted economic responsibility at all levels and as a result have greatly mobilized the enthusiasm of the broad masses of workers and staff members. They have tried every possible way to make raw materials and fuel available in the plants by taking advantage of the fine rainy season when energy resources became abundant to ensure production needs.

At the same time, the new equipment after renovation has also begun to play an important role. For example, after renovation, the medium plate rolling mill of the Chongqing No 5 Steel Plant has doubled rolled steel output and lowered consumption, winning merits for the company in netting profits 4 months in a row amounting to more than 10 million yuan. As a result of the brave battle waged by the iron and steel workers and staff members throughout Sichuan, economic results have been notably improved. Compared with the same period last year, profits from January to August registered an increase of 18.81 percent and the total industrial output value also recorded an increase of 8.42 percent.

12662

CSO: 4006/36

AGGREGATE ECONOMIC DATA

YUNNAN GOVERNOR PU CHAOZHU ON ECONOMY

Beijing JINGJI RIBAO in Chinese 15 Sep 84 p 3

[Article by Pu Chaozhu [2528 2600 2691], Governor of Yunnan: "Give Play to the Advantages of Resources and Speed up the Construction of the Border Areas"]

[Text] Yunnan is a multi-national province in the southwestern border area of the motherland. Within the boundaries of this province, there are beautiful mountains and rivers, abundant resources, plentiful products and richly endowed natural conditions. However, in old China, the level of the productive forces in Yunnan Province was low and the place was very hard to get to; the people of all nationalities there were poverty-stricken. Yunnan has been making tremendous achievements in all fields since the founding of New China. Comparing 1983 with 1949, the total agricultural output value increased more than 3 times; total industrial output value 35 times; grain was up 1.4 times, oil-bearing crops, sugar, cigarettes and coal increased by several dozen times. Ten kinds of nonferrous metals increased 100 times, cement was up 453 times, metal-cutting machine tools rose 67 times, steel increased more than 1,340 times and mileage of highways opened to traffic increased 16 times. In 1950, there were only two institutes of higher learning and 16 intermediate specialized schools in the entire province, and the number of students enrolled in the primary and middle schools accounted for only 3.8 percent of the total population. By last year, there were 20 institutes of higher learning and 100 intermediate and specialized schools; the number of students in the primary and middle schools totaled 5.5 million or about 16 percent of the total population. Various minority nationalities have their own college students and the development of the medical and health work has significantly improved the deficiency in both medical doctors and medicine facing the people of all nationalities.

Summing up the basic experience of economic construction in Yunnan since the founding of New China and particularly in the past several years, in order to speed up the development of Yunnan, it is necessary to let agriculture promote light and heavy industries, and let heavy industry support agriculture and light industry and develop agriculture and light and heavy industries in a coordinated manner. The agricultural population of Yunnan accounts for nearly 89 percent of the province's total population,

the agricultural output value takes up more than 40 percent of the total agricultural and industrial output value; of the light industrial output value, over 80 percent of the products used agricultural and sideline products as raw materials. By giving full play to the advantages of agriculture, forestry and animal husbandry, it will provide raw material to the light industries and by using the accumulation funds of the light industries specifically for energy and communications construction, it will promote the development of the heavy industry which in turn will serve agriculture and the light industries even better. Yunnan has abundant resources. Its forest acreage covers 140 million mu, there are more than 260 million mu of barren hills and slopes suitable for development. It also has a complete assortment of nonferrous metals in rich reserves; the reserves of lead, zinc, tin, copper, and raw metals such as germanium, indium and nickel rank among the first in the country. Water resources suitable for development amount to more than 70 million KW, proven coal reserves total over 16 billion dun; tobacco, sugar and tea and rubber have now become reputable products. Forestry, animal husbandry, rubber and other tropical and sub-tropical crop, tobacco, sugar, tea and traditional and speciality food industry and nonferrous metal industry and the construction of the phosphorous, salt and coal chemical industrial bases will be developed and strengthened step by step. In the meantime, vigorous efforts will be made to develop Yunnan's potential for tourism by giving full play to the province's advantages.

Situated in the border areas, Yunnan is noted for its many nationalities, numerous mountainous regions, and complexity and unevenness in economic development. For this reason, more relaxed and flexible policies and measures must be adopted in light of the actual prevailing conditions. The Yunnan Provincial CPC Committee and the Provincial Government have decided to "allocate responsibilities in three areas" and "transfer two powers to the lower levels" in the counties. In other words, finance grain and major agricultural products are to be allocated to the counties through channels without any change for the next several years, and correspondingly part of the planned management power and personnel management power are to be transferred to the counties. For the rural areas, it is necessary to further stabilize and perfect the various forms of the household contract system of responsibility with remuneration linked to output, energetically develop specialized households, key households and economic integration entities, promote division of labor by trades and improve the agricultural structure. At present, it is necessary to carry out the comprehensive reform of the economic system in the cities as the focal point of economic work and take practical measures to solve the two problems [as published] of "eating from the same big pot" so that the rural areas and the cities can advance side by side. At the same time, we must also energetically promote the policy of opening to the outside world. In recent years, our province has joined in economic and technical cooperation and coordination with a number of developed countries and more than 10 fraternal provinces and cities in the country and has achieved excellent economic results. Only by opening to outside provinces and the outside world, smashing the mutual

blockades between counties and regions, and importing capital, technology and qualified personnel can Yunnan's economy develop rapidly.

12662

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ECONOMIC MANAGEMENT

SHANGHAI EASES RESTRICTIONS ON COLLECTIVE ENTERPRISES

Shanghai WEN HUI BAO in Chinese 4 Jul 84 p 1

[Report: "Reform Measures Taken by Shanghai's Collective Enterprises"]

[Text] The Shanghai Municipal People's Government has approved the "Proposals for Further Enlivening and Developing Neighborhood and County-run Collective Enterprises, Bureau-run 'New Collective' Enterprises and Cooperatives' Views" transmitted by the Municipal Office on Collective Undertakings. These proposals, which advocate greater powers for collective enterprises, fall into the following 11 categories:

1. Egalitarianism should be resolutely overcome by rewarding those who are diligent and punishing those who are slack. Contracting for jobs should be popularized, including the contracting for multiple or single projects. Collective enterprises may use their own discretion in adopting appropriate wage patterns. To a certain extent, they are authorized to adjust the basic wages of the workers or a number of them. However, such wage adjustments for collective enterprises shall hereafter not be made at the same time or at the same level.
2. On the basis of their own conditions and market needs, collective enterprises may operate independently and develop all possible avenues. As long as their undertakings are of benefit to the public and not prejudicial to state plans, they are permitted to specialize in one undertaking while operating many sideline occupations, engage in different trades and be transferred to other undertakings.
3. Vigorous support is given to supply and marketing operations.
4. As a general rule, collective enterprises should strive to make use of foreign capital, bring in technological improvements, carry out technical transformations, raise technical levels and adjust the production and product structures. Responsible departments at the prefectural, county and bureau levels should determine proposed projects every year for incorporation into the municipal plan for bringing in technological advances.

5. Since collective enterprises are no longer required to conform to the state assignment of manpower, they may recruit their workforce under the guidance of labor departments. They may also employ technicians and administrative personnel from other units and fix the required scale of remuneration themselves. Provided the employing units concur, they may loan their staff or alternatively offer them concurrent jobs at the collective enterprises with all expenses paid for and with salaries corresponding in scale. The original employers should encourage those technicians who are willing to work at the collective enterprises, including those who have been placed in unsuitable work. In order to encourage skilled and experienced personnel who have been retired by units owned by all the people to work at Shanghai's collective enterprises, the employing units should not engage retired employees, nor should they refuse other units from employing them if they qualify. The state should assign college graduates or undergraduates to work at collective enterprises in a planned way, with salary adjustments to be made by the collective enterprises themselves, in line with the principle of the unified criteria prescribed by the State Council. As for national cadres and the employees of units owned by the whole people participating in collective enterprises and sharing their revenue distribution, they may retain their status as national cadres or staff members of the units owned by all the people. In view of the greater benefits and higher bonuses accorded them, their retirement or separation may be handled either by their original units or the collective enterprises.

6. As for those collective enterprises which are not responsible for their own profits or losses but with this responsibility falling on the competent authorities, they should now assume this responsibility. Unduly large accounting units should appropriately reduce their operations and be responsible for their own profit or loss. Under no circumstances should any such unit be permitted to transfer indiscriminately, on any pretext, the resources or manpower of the collective enterprises.

7. As a means of encouraging the gathering of funds for partnership and profit-sharing purposes, collective enterprises may draw up their own prospectuses when soliciting share subscription funds from their employees or the public.

8. A more lenient policy on taxation and credit loans should be implemented. For those collective enterprises requiring technical transformation or seeking to develop new products, they will be granted loans at preferential interest rates.

9. Vigorous efforts to develop economic coordination should be made. Under the prerequisite of conforming to the planning framework for the towns and countryside, transregional economic integration and the combining of different trades and projects will be encouraged.

10. Democratic management should be practiced and the cadre management system improved. Collective enterprises may select or publicly hire factory directors (managers) before they refer this matter to the competent authorities for approval. As for those who fill deputy director posts, they are to be nominated by the factory director (manager) before the nominees are seconded at workers' representative meetings and approved by the competent authorities.

11. The management structure should conform to production requirements. Once the grip on production is loosened, the production operation is to be handled by collective enterprises at their own discretion.

12661

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TECHNOLOGICAL TRANSFORMATION OF CHINA'S ENTERPRISES DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese 8 Jul 84 pp 25-27

[Article by Xu Fangming [1776 2397 7686]: "Several Problems Concerning Technological Transformation of China's Enterprises"]

[Text] Generally speaking, there are two major forms of technological advance: one is a gradual advance made through partial improvement of the technology of production, such as renovating the line-up and functions of machinery equipment, improving the processing technology and its method of operation and economizing on substituting and comprehensively utilizing raw and processed materials. The other is an advance by leaps and bounds achieved by a fundamental change of the technological base, such as a technological revolution with a stress on the revolution of information which is currently talked about by the public. Carrying out the technological transformation of existing enterprises in China means achieving both forms of technological advance by arming and reforming old enterprises with new techniques, new equipment and new technology, thus enhancing their enterprise quality, improving their economic results and satisfying the public's increasing demand for material and spiritual culture to the maximum.

1. Correctly Understanding the Impact of Technological Advance

Achieving a technological advance through the technological transformation of existing enterprises in China is bound to have a considerable impact on productivity, economic results and the employment of labor. First, in terms of the impact on productivity by a technological advance, there are several factors that determine the degree of productivity, and they are the workers' average skillfulness, level of technological development and the extent the workers apply them to technology, the organizational form of the production community and the scope and usefulness of the means of production. Technological advance takes an important place among these factors because it will affect the changes in other factors. However, any one technological advance does not necessarily cause social labor productivity to improve under any circumstances. For example, we will not be able to improve social labor productivity rapidly and effectively and could even waste funds if we blindly pursue and adopt the world's advanced technology and if the enterprise's organizational structure is irrational, the level of its extensive cooperation with specialized departments is low and the level of its management and administration is not high. Second, in terms of the impact on economic

results by a technological advance, the adoption of any advanced technology has its economic limits because a technological advance always requires a supplement to investment. Judged from the angle of the whole society, the enterprise profits only when its increased gains after the adoption of a new technology is larger than the amount of funds supplemented to the investment; otherwise, it will not bring genuine economic results to the society. Last, in terms of the impact on the employment of labor by a technological advance, since technological advance will definitely improve the organic composition of technology and relatively reduce the consumption of live labor, the transfer of the labor force is bound to emerge and the contradiction between the rejection and absorption of labor force will be formed. China has a huge population and is abundant in labor and resources, but due to the labor force's poor quality, the employment of labor has therefore become an especially outstanding problem. Hence, while carrying out a technological transformation, we cannot set our minds only on technological advance because we should also consider how to solve logically the problems of the employment of labor while achieving a technological advance.

Based on the understanding stated above, we may draw such inspiration as follows: (1) to carry out the technological transformation of China's enterprises, we must face the status quo of a technological advance, determine the key points of technological transformation for those enterprises which are to be the first ones joining the ranks of the world's technologically advanced countries and centralize the use of our limited funds in order to avoid wasting them by involving all enterprises in technological transformation. (2) We must closely align technological transformation with the adjustment of the enterprises' organizational structures and the elevation of their management and administration and change the current state of the technological transformation of the "scattered" model in which the advanced state of production equipment and of technological skills is singled out as the only sign of transformation. (3) We must base our efforts on the overall situation to reinforce the economic accounting of funds for technological transformation and cannot lopsidedly supplement investment without paying attention to an examination of economic results. (4) We must decide the strategy for technological transformation which permits the coexistence of advanced techniques, middle-level techniques and manual operation, and we must establish the industrial structure which combines the model of the concentration of technology and that of the concentration of labor so that we can bring China's preponderance in the abundance of labor and resources into full play.

2. Major Problems Faced by Technological Transformation of China's Enterprises

At present, we have not yet reached a unanimous understanding as to the major problems in the technological transformation of China's enterprises. Some cadres feel that funds are the major problem, and the reasons given by them are that the size of the investment is not large, the "outstanding accounts" have not been paid off and the contradiction between the demand for and availability of funds is conspicuous. We, however, consider such an understanding incomplete. Of course, the shortage of funds is a conspicuous contradiction in China's economic construction at the present time and in a certain period in the future, but this situation is not so conspicuous as far as the

transformation of our enterprises' technology is concerned. Why do we say this? First, the size of investment in China's current technological transformation is different from that of several years ago. Since 1981, the investment in technological transformation has been increasing at an annual rate of about 4 billion yuan, and it is estimated to be over 30 billion yuan by 1983. The investment in technological transformation in the past 3 years has exceeded the total of such investments in the "Fifth 5-Year Plan," and the ratio between the investment in technological transformation and that in capital construction has reached 1:2. A comprehensive survey of the overall situation shows that the total amount of funds available for technological transformation is sizable and is compatible with the actual need for that purpose. These funds include the funds for the renewal and reform of enterprises, the fund for the development of production earmarked in the enterprises' retained profits after tax payments and from profit sharing, the funds appropriated by the state treasury for the exploitation of potential and reform of enterprises, bank loans for various technological measures and the borrowed portion of funds from abroad. The real problem lies in the fact that a considerable part of the investment has not been genuinely used on the technological transformation of old enterprises because many projects overlap low-level constructions. Of the investment in technological transformation, the ratio of the amount for new construction and the expansion of enterprises with stress on the enlargement of their production scopes so far has reached as high as 40 percent, carrying a momentum as if it were the second capital construction. We must have a sober understanding of these problems. Second, in terms of the material base that can be provided by a technological advance, the means of advanced technology which China itself can provide is limited and cannot fully satisfy the need in a short period of time, while the importation of technology and advanced equipment from abroad is also restricted by various domestic conditions. This means that the size of the investment in the technological transformation needs to be built on the basis of an overall balance and must be arranged in conjunction with the size of the investment in capital construction and other economic construction projects. Third, the so-called "outstanding accounts" of technological transformation refer to the fixed assets which have passed their usable ages but have not yet been renewed in a timely manner. Should all such fixed assets be renewed? We believe that we ought to conduct a practical analysis. On the one hand, not all of the fixed assets which have passed their usable ages need to be renewed immediately because we must take the principle that the "gains" must be larger than the "spending" into consideration. In terms of the actual situation in China, the fixed assets which are actually scrapped every year take only 13 percent of the investment in technological transformation, while in terms of those developed capitalist countries, many of them are still using the equipment of the 1950's and 1960's. On the other hand, we still need to readjust the enterprises in this country because their organizations are not all that rational and there is an imbalance among trades as well as among enterprises. For example, it is not necessary to pay off the "outstanding accounts" of those enterprises which consume a lot of manpower and resources but produce goods of poor quality, find no market for their products, constantly suffer a loss and are not guaranteed the needed energy, raw and processed materials and transportation facilities. Instead, we should "close, suspend, merge or retool" them in a planned way. Although we will have to spend some money on the required transformation of their equipment or technology during the merging

or retooling, it is, after all, another matter. Hence, the major problem that needs to be solved now is that while facing the new development of science and technology and complying with the requirement of building a rational organizational structure for our enterprises, we must be able to get enterprises out of such situations in which the constructions are done piecemeal and overlap at a low level and turn the "scattered" model into the "ensemble" model and then, on the basis of an overall balance, carry out the technological transformation of the enterprises in a planned and step-by-step way and with stress on the key points of transformation. In short, the major problem in the current technological transformation is how to manage well and **spend** wisely the funds that we have on hand for technological transformation. If we emphasize only the shortage of funds and overlook the major contradiction, we will miss our opportunity because of the delay and this will result in a strategically unwise move. Thus, in order to make a good job of the technological transformation of the enterprises we are now having, we must first make a strategic change in our ideological understanding. Only a unified understanding of all departments and all areas will enable us to be well coordinated and to act in unison, make full use of the strong points and avoid the weak ones in making a strategic decision conforming to the situation in China in our technological advance.

3. Working out an Overall Program for Technological Transformation As Soon As Possible

To promote technological transformation, the state has relaxed the policies concerned, expanded the enterprises' decision-making power and paid attention to bringing the regulating effect of economic levers into full play in recent years, such as the policy of "six priorities" implemented for light industry and bank loans for technological transformation. At the same time, it has gradually increased the depreciation rate for the fixed assets of certain trades or in certain areas in a planned way. Under such circumstances, if there are no overall program for technological transformation and a precise technological policy, the enterprises will miss the macroguidance for their technological advance and the economic levers for regulating. As a result, the scattered use of funds, materials and equipment is bound to occur and it will be difficult for us to avoid the situation of reproducing obsolete equipment and overlapping constructions. On the other hand, amidst a technological advance, the contradiction between the adsorption and rejection of labor will certainly arise and the structure of the labor force will certainly undergo a vital change. These problems cannot be solved singlehandedly by any one enterprise, area or department and, when mishandled, could hinder our technological advance or even affect social stability. Even so, our effort to improve the overall technological level will be greatly restricted if the enterprises' organizational structures are irrational. All of these circumstances call for an overall program for technological transformation in conjunction with the development of science and technology and for the readjustment of the economic structure to be worked out as soon as possible so that we can decide on a relative technological policy.

We believe that the following problems should be taken into consideration while the overall program for technological transformation is being worked

out: first, we must destroy the boundaries set by the system of ownership and the separatist state among the departments and areas, rationally organize national and regional specialty companies and conscientiously do a good job in "closing, suspending, merging or retooling" the enterprises with the key points laid on the production capability, working procedures and weak links inside them in order to make their organizational structures compatible to the requirement set forth by the technological advance. Second, under the guidance of a precise technological transformation policy, we must decide the key points and schedules of implementation in order to carry out a technological transformation in different stages and increments. We must also work on the existing basis to form gradually a multi-layer and -level industrial structure which combines new and developing industries with traditional industries and the model of the concentration of labor with that of the concentration of technology. Third, to carry out the technological transformation of China's enterprises, we need to make the upgrading and substitution of their products the leading wedge and to organize scientific research, the development of technology, production and education the main content and then turn science and technology into productive forces and improve the enterprises' ability to meet an emergency as soon as possible.

Of course, doing a good job of the technological transformation of China's enterprises also needs to be coordinated with planning, pricing, tax revenue and credit. Since there has been much discussion in this regard, we will not repeat it in this article. In sum, as long as we can work on the basis of the actual circumstances of China, have our feet firmly planted in the overall situation, unify our thinking, be well coordinated and act in unison, grasp the major contradictions, smash the trammels of old ideas and welcome the challenge of new technological revolution, we will definitely be able to push the task of technological transformation in China to a completely new stage.

12730

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ECONOMIC MANAGEMENT

OPINIONS CONCERNING SECOND STEP OF REFORM

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 7, 15 Jul 84 pp 26-27

[Article by Wang Shuigen [3769 3055 2704] and Cai Minglin [5591 2494 7792]:
"Situation and Opinions Concerning Second Step of Reform in Substituting
Tax Payment for Profit Delivery"]

[Text] I

At present, the second step of the reform in substituting tax payment for profit delivery is a key link in the restructuring of the economic system, as the reform puts into effect "imposing neither a maximum nor a minimum limit" on bonuses for further settling the relationship of distribution between the state and enterprises, and provides favorable conditions for further expanding the enterprises' decision-making power and establishing various kinds of contract systems in 10 areas.

In the Second Plenary Session of the Sixth People's Congress, Premier Zhao Ziyang announced that starting in the fourth quarter of this year, the second step of the reform in substituting tax payment for profit delivery would be implemented, thus turning the coexistence of tax payment and profit delivery into a complete substitution of tax payment for profit delivery by means of a step-by-step transition. The system of substituting tax payment for profit delivery is a key to the restructuring of the urban economic system and is significant in four areas: first, using a decree as the way to fix the relationship of distribution between the state and the enterprises enables the state's financial revenue to enjoy a steady growth along with the development of the economy. Second, as enterprises gain more interests from their newly increased profits, they will strengthen their driving force for improving their management and administration and enhancing their economic results. Third, as the contradiction caused by the enterprises' current irrational prices is slowed down or settled through the regulation of tax levers, the enterprises, under the circumstances that the difference in their prices has been improved, can undertake a competition among themselves to help encourage the more advanced and urge the less advanced. Fourth, enterprises will stop turning over their profits to higher authorities in accordance with the administrative jurisdiction, thus helping to settle the economic relationship between the vertical and the horizontal and between the central and local authorities.

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Everybody pays close attention to the second step of the reform in substituting tax payments for profit delivery because it touches upon the relationship of distribution between the state and the enterprises. Its overall spirit this time is to raise appropriately the proportion of the product tax in the total tax revenue with the reality as the basis, to fix the relationship of distribution between the state and the enterprises so that enterprises are guaranteed their invested interests, to encourage enterprises to exert stamina by stressing the "making of a concession afterward, not beforehand" in the relationship of distribution between the state and the enterprises and to relax the policies concerned and expand the scope of the small enterprises. All of these are the bases upon which the preliminary plan for the reform is designed.

The second step of reform in substituting tax payments for a profit delivery involves 11 types of taxes, of which 9 are levied before the income tax and 1 after. These taxes are:

1. Product tax and increment tax: these two taxes are derived from the former industrial and commercial tax. By levying them, the state can (a) appropriately regulate the enterprises' profit differential income which is caused by their irrational prices, (b) encourage the more advanced products and eliminate the less advanced products and (c) apply the effect of regulating and directing production to enterprises and restrict them in unchecked production and overlapping construction by levying a heavy tax on products which are excessive in supply and make a big profit and a light tax on those which are short in supply and make a small profit. Readjusting the product tax and increment tax this time mainly means increasing taxes. Of 391 types of products, the tax rate is raised for 88 and lowered for 62. The proportion of product tax revenue in the total of taxes and profits has gone up from 39 percent to 46 percent. The tax burden of Shanghai's local industries has increased 14 percent from the previous level. Undoubtedly, the state takes the actual situation of unbalanced production at different locations and the actual feasibility of increasing the collective enterprises' tax burden into consideration while readjusting taxes. Thus, on the whole it can set the tax rates for enterprises only at the middle level or the low-to-middle level of their selling profit margins in order to avoid the inability of a large number of inland enterprises or collective enterprises to afford a heavy tax burden because of high tax rates.

2. Salt tax: The rate for each ton of salt remains unchanged.

3. Business tax: This tax is also derived from the former industrial and commercial tax and is levied from commercial, service, transportation and financial enterprises. Its rate remains unchanged.

4. Resource tax: This is a new tax. By collecting a resource tax, the enterprises' grade differential income, which is caused by the difference in their resource structures and conditions for development, goes to the state. In this step of reform, a resource tax is levied on five kinds of products, namely, coal and charcoal, crude oil, natural gas, black metals and nonferrous metals. The tax rates are designed in separate categories

based on the selling profit rates of taxable products. Hence, no resource tax is levied on products with a selling profit rate below 12 percent, a 50 percent tax on those with a selling profit rate between 12 percent and 20 percent, a 60 percent tax on those with a selling profit rate between 20 percent and 25 percent, and a 70 percent tax on those with a selling profit rate over 25 percent. The survey shows that the selling profit rates of 32.7 percent of the products have reached the starting point of taxation.

5. Three local taxes--the house property tax, tax on the use of land and tax on the use of vehicles and ships--have been resumed and one new local tax--urban maintenance and construction tax--established. These local taxes will be the local finance's fixed sources of revenue and will create conditions for the financial system of separated taxation.

All cities and county towns are subject to the urban maintenance and construction tax. It is collected directly from the enterprises at a rate which is set in a fixed ratio to the product tax, increment tax and business tax paid by them. By linking it up with the sales tax, which will grow along with the economy, the urban maintenance and construction tax will increase correspondingly because, generally speaking, the sales volume always grows as long as the production increases.

6. Income tax: Enterprises pay an income tax on their profits left after the payments of all aforementioned taxes. The income tax rate for large and medium-size state-run industrial enterprises is 55 percent. Small enterprises pay this tax at the newly designed eight-grade progressive tax rates for that part of their income in excess of a specific taxable amount.

7. Regulating tax: This tax is levied from large and medium-size state-run industrial enterprises on their profits left after the payment of the income tax when they are in excess of the rational portion of retained profit for 1983, and the rate is decided in accordance with the taxable amount of income. In terms of the entire nation, after the income tax is levied, the proportion of all types of taxes in the total of taxes and profits has reached 79.6 percent. Of the remaining 20.4 percent, 10.3 percent is the profit retained by the enterprises, and only 10.1 percent is subject to the regulating tax which is turned over to the state. The average rate of the regulating tax is 22 percent for industrial enterprises nationwide and 28.5 percent for Shanghai's local industries. After paying an income tax, enterprises pay the regulating tax at the rate decided by the state. On the portion of increased profit (referring to the profit in excess of the base period profit), the rate of the regulating tax is fixed instead of being decided by linking it to the amount of profit, and thereby the tax is reduced by 60 percent. This reduction can arouse the enterprises' enthusiasm in increasing their production and incomes.

Small state-run industrial enterprises do not pay the regulating tax. However, those which retain more profits after the payment of the income tax are required to pay a fixed amount of the contracting fee to the state.

8. No income tax is levied from those enterprises which suffer a loss or make a meager profit (referring to those enterprises whose taxable incomes

after the payments of a product tax and local taxes are short of the rational portion of the retained profit). Instead, the loss-contracting system or the meager profit-contracting system is applicable to them.

III

In our opinion, the above preliminary plan contains four significant reforms compared with the first step of the reform in substituting tax payment for profit delivery:

First, it has divided the former industrial and commercial tax into three different taxes to bring their individual effects into full play. Regulating the prices with a regulating tax can slow down or resolve the irrationality of prices.

Second, resuming and levying four local taxes will help improve the central and local financial systems.

Third, as a result of the readjustment of tax rates and the levying of local taxes, the amount of profit subject to the regulating tax is relatively reduced. Only one-seventh of the industrial enterprises nationwide pay the regulating tax, and the majority of them do not pay it at all. For those which pay the regulating tax, the tax on the increased portion of profit is reduced, and the tax rate is fixed instead of linking it to the amount of profit, both of which are not subject to change for a period of 7 years. This measure will increase the enterprises' vigor.

Fourth, the policies concerned are relaxed to promote further the vitalization of small enterprises. The criterion for being a small enterprise is an enterprise whose total after-tax profit is under 300,000 yuan and fixed assets are at an original value of under 3 million yuan. In terms of the entire nation, a considerable number of enterprises may be classified as small enterprises. Since the number of such enterprises in Shanghai is very small, it seems necessary to lower the requirement.

In our opinion, the overall advantage of a reform in this fashion is seeking truth from facts and starting from reality. It has made considerable progress compared with the first step of reform because the risk it takes is small and the method it employs is simple. Therefore, it is easier for localities and enterprises to accept it. Undoubtedly, the preliminary plan for the second step of the reform in collecting a tax instead of profit cannot be perfect and needs to be developed and perfected through practice. Hence, we propose the following ideas for discussion:

1. The depth of reform is still insufficient. The prominent problem is that the effect of encouraging the more advanced and urging the less advanced is not yet fully reflected. The year 1982 is taken as the base for the first step of the reform in substituting tax payments for profit delivery and as the base for the second step of this reform. By so doing, the irrational phenomenon of an imbalance of good and bad times among enterprises created in the first step of the reform continues to exist in the second step of the reform.

Those enterprises which have already had sound management and administration, a high base of profit and low cost have a higher degree of difficulty in further increasing their productions and incomes, and their interests obtained in the second step are less than those obtained by those enterprises whose management and administration are poor, whose base of profit is low and whose cost is high. Moreover, the contradiction among enterprises caused by the irrational bases of retained profit will continue and could even expand. To protect the relationship of distribution between the state and those less advanced enterprises with a lawful form is harmful to the improvement of the entire society's economic results. Meanwhile, although levying a regulating tax by means of one rate for one type of enterprise will cause the proportions to lower, it still stays on the track of turning over a profit to the higher authorities.

2. As for the problem of levying a tax on funds from enterprises which use state funds, it was already a matter for argument during the first step of the reform and has not yet been solved in the second step of the reform. In our opinion, in terms of either theory or practice, levying a tax on funds can have a significant effect on economizing the use of funds and paying attention to the improvement of the results of investment, and it will also help to centralize the financial funds. For example, after the tax payments, the light machinery trade in Shanghai pays for the use of the fixed-assets fee (in lieu of the form of tax). Since the degree of the use of fixed assets by the enterprise, the amount of the fee and the extent of the results of investment all affect the enterprise's interests, that corporation pays particular attention to the economization of the use of funds. In terms of the situation in the entire nation, the fixed funds' profit rate levels and results are not the same. Therefore, whether or not this tax can be carried out in the entire nation certainly needs to be considered based on the actual situation. Since the development of the economy and the improvement of economic results in the future will create conditions for the levying of tax on funds, we wonder whether this problem can be further discussed.

3. As for the problem whereby the readjustment of prices affects the after-tax profit retained by the enterprises, we feel that the fact that the readjustment of prices will have a considerable impact on the coastal areas is a prominent problem. Enterprises in these areas are largely processing enterprises which have to import their raw and processed materials and fuel from the places of production. It is quite possible that the prices of primary products, mineral products, raw and processed materials and fuel will go up from now on, and those of the products of the processing industry will decline, especially the light industry and electronic products, although this tendency is advantageous to the industry's internal structure in the distribution of economic results. However, in terms of the current quality of the industry, it is certainly a problem to the industry if it is required to digest fully the problems concerning price. Some comrades hope that the state will make an appropriate expansion and extension of the limits of the acknowledgement of debt. Not only should the limits be expanded to the readjustments of prices including those approved by the State General Administration of Commodity Prices and the central departments responsible for commodity prices, they should also be extended to the readjustments of prices made at the provincial, municipal and autonomous region levels. We feel this suggestion is good for

reference. However, we fear that the state will be financially unable to acknowledge such debts completely.

4. As for the problem of the repayment of loans for all types of fixed assets, the method adopted in the second step of the reform stipulates that when applying for loans for capital construction and technological measures, enterprises must have their own funds equivalent to 10-30 percent of the loans applied and, when repaying the loans, must first use their various types of special-purpose funds (including funds for renewal and transformation and the fund for production development) and, if insufficient, must use their newly increased profits before the income tax payment which are obtained from the projects invested with the loans. We feel that this arrangement is not compatible with the spirit of the policy of further opening the 14 coastal cities to the outside world. Taking Shanghai as an example, the old enterprises need more funds for transformation, but the amount of repayment in the past 4 years does not exceed 2 percent of the total profit of industrial enterprises and remains within 3 percent in 1983. This illustrates that the proportion of the amount of loans in the total profit is not large. Normally, 5 percent is more appropriate. We wonder whether the state would consider dealing with each application for a loan on its merits.

12730

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ECONOMIC MANAGEMENT

SICHUAN TIMBER MANAGEMENT SYSTEM REFORM PROMOTED

Chengdu SICHUAN RIBAO in Chinese 3 Aug 84 p 1

[Commentary: "Grasp Reform of the Timber Management System"]

[Text] Further relaxing forestry policy; changing prefectural and county lumber companies into forest product sales and service companies; carrying out major reforms in such areas as management policy, scope and methods, service targets and profit distribution; and adapting to new conditions in forestry production will be of major significance in developing forestry throughout Sichuan and in realizing the strategic goals formulated by the 12th Party Congress. All areas and particularly the timber-producing districts should pay close attention to doing a good job of the work of reforming the lumber company management system as Leshan Prefecture has.

Timber management has been overcentralized for a long time due to "leftist" fetters. This has created a situation in which forest reserves were wasted, production was divorced from marketing, forestry producers' various timber and forestry sideline products and processed manufactured goods could not be sold, various forest products needed by consumers could not be bought and in particular, profit management was regarded as handing over finances to the higher authorities and forestry producers' economic interests could not be ensured, seriously affecting the carrying out of the policy of forest cultivation and the development of forestry production. Along with the relaxation of forestry policy in recent years, joint forestry-industrial-commercial enterprises and forestry "double households" have vigorously developed, collectively and privately owned timber has increased, direct contact between timber production and marketing has increased, the enthusiasm of the masses for afforestation and managing timber has risen and there have been new developments in production of forestry goods. If the lumber company management system, policy and scope and profit distribution methods are not reformed again, not only will they be unable to adapt to the needs of the new conditions in forestry development, but the way will become progressively narrower for lumber companies and their existence itself will become problematic.

The nucleus of the reform of the lumber company management system is in doing a good job of service work. After reform, forest product sales companies must persist in catering to the needs of production, the grass

roots and the masses; do a good job of service work in areas such as providing economic information, technical guidance and product processing, the sale and comprehensive utilization of forestry "double households," collective forestry units and state-run tree farms; help them to open all avenues for people of talent; and improve economic results. Moreover, based on the party's related policies and the policy of forest cultivation, they must correctly handle problems of profit distribution, enabling forestry producers to obtain proper economic benefits and arousing their enthusiasm to accelerate forestry construction.

Reform of the lumber company management system involves a fairly wide area. Forestry departments and particularly lumber companies have suffered from the "leftist influence for many years and have been accustomed to a set of old management ideas and styles, and many worries exist about breaking the old restrictions. In addition, experience has been deficient and it has been difficult to avoid the appearance of certain problems in making progress. This requires all areas to strengthen the leadership, do a good job in their work, help related departments eliminate the "leftist" influence, liberate their ideology, improve their understanding and discover and solve problems promptly, enabling the reform to be successfully carried out.

12267

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ECONOMIC MANAGEMENT

WAGE REFORM IN CONSTRUCTION INDUSTRY VIEWED

HK080712 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 84 pp 26-29

[Article by Jin Minqiu [6855 2404 3061] of the Economic Research Institute of Urban and Rural Construction: "An Important Breakthrough in the Reform of the Distribution System--an Examination of the Introduction in the Construction Industry of the Contract System Involving a Wage System Linked to Each 100 Yuan of Output Value"]

[Text] In the reform of the distribution system and the implementation of the principle of distribution according to work, the wage system reform constitutes the central link; it involves the relationship between the interests of the state, the collective, and the individual, and only by handling it well may we mobilize the initiative of all sides. In the construction industry, the grasping of the central issue of wage system reform, and testing the contract system linking wages to each 100-yuan of output value (though this system has shortcomings, and needs to be improved in practice), is really taking the bull by the horns. Since it was put into practice, the experiment has achieved marked economic results. After the Chongqing Construction Engineering Bureau put this system into practice in one of its companies, and promoted the introduction of all the various economic responsibility systems, the total output value for 1983 increased by 16.85 percent over the previous year, there was an increase of 9.17 percent in the floor area built, and the productivity of its employees rose 12.24 percent; the top-quality engineering product rate rose by 8.32 percent, while the top-class project rate rose 22.67 percent; real profits increased 15.12 percent, and taxes handed over to the state increased 164.17 percent. Total wage figures dropped 1.42 percent, and wages as a percentage of each 100 yuan of output value dropped by 15.65 percent. Since the system was introduced in such areas as Yunnan Province, Tianjin Municipality, Dalian City, and so on, economic results have been enhanced to varying degrees, showing that this system has great vitality.

I. The Contract System Based on Wages as a Proportion of Each 100 Yuan of Output Value Is an Important Breakthrough in the Reform of the Distribution System

First, wages are linked with the enterprise's production management efficiency, and egalitarianism is wiped out.

Previously, wage funds were calculated according to the number of employees, with one person having one wage packet, so that enterprises which exceeded their quotas received the same funds for wages as those which failed to reach

their targets and even those which made massive losses; this damaged the initiative of the enterprise and its employees. The introduction of the contract system means defining the total wage figure of an enterprise on the basis of its production performance, that is, on the basis of the actual output value of the enterprise, and according to a calculation of wages as a percentage of output (that is, wages as a percentage of each 100 yuan of output value) and the examination of it and how well the various major targets (capital, profits, quality, and so on) have been achieved and the calculation of the overall wage figure. This total wage figure is contracted for by the enterprise, and if the enterprise manages to pay out less wages than this set figure, it keeps the remaining funds. A special wage fund is established in a bank of use as loans and so on. If it is not used up in 1 year, it may be used the next year of accumulated. [as printed] Therefore, enterprises carrying out this system link responsibility, rights, and interests, and undertake both economic responsibility and economic risk, and also reap economic results, so that the system acts as both pre-sure and incentive. If enterprises are run well, they will earn more, with no ceiling on the amount they can earn; if they are run badly, and fail to achieve their targets, there is no floor on wages either, and certainly no bonuses. This, then, intimately links the economic performance of the enterprise with the personal interests of its employees, so that every single person is concerned with the performance of the enterprise.

In this wage-linked contract system, the amount of wages depends on how much wealth the enterprise creates for the state and society. Therefore, only by increasing production, productivity, and profits can the enterprise be assured of reaching its wage-linked contract target. Some people worry that when such a system is introduced, the enterprise's total wage figure will no longer be a set, [word indistinct], absolute figure, but instead will be a variable figure fluctuating according to how well the enterprise's production and economic tasks are carried out, and in this way that it will be difficult to control the state's consumption funds, and may also affect the state's financial revenue plans. In fact, this represents the concept of a static, mechanical equilibrium. The so-called creation of wealth is a dynamic one; the faster the movement of funds, the more production, the swifter the circulation, and the more wealth is created. The wage-linked contract system is based on the idea that wages need a commensurate amount of material wealth to be created, and wages float therefore according to the amount of wealth and profit created; therefore, it is unnecessary to be overanxious about the consumption funds going out of control; at the same time, state finances will increase along with production.

We often say that our wages are low; this is indeed true, but in the past we ignored the relationship between wages and performances. Wages in Shenzhen are several times higher than in the rest of the country, but so are its speed and performance in production. For instance, a 6-story block of flats takes about 6 months to build in China's interior, but only 100 days in Shenzhen; similarly, whereas in Shenzhen it takes an average of 3.5 days to build the basic structure of each floor of a tower block, it takes 7 to 10 days in the interior. China's construction workers earn 6 yuan per day (including bonuses and welfare benefits), while in the United States they get 70 yuan, 10 times more than us, but the profits created by the U.S. workers are also 10 times

higher than ours, and productivity is over 4 times higher than ours. Therefore, when we talk about wage levels, we must also talk about economic results, since this is the only realistic approach. The essence of the wage-linked contract system is the emphasis on performance, so that wages float according to economic results; this represents a big breakthrough in the wage reform of the construction industry, and is something created solely by China, and unprecedented in other countries.

Second, the single-level distribution system is changed to a two-level distribution system, thereby taking the first step in the difficult wage reform.

The previous state system of wage control and management was overrigid; wages were calculated according to the number of people, the state made unified rules on wage levels, and all these rules, along with the subsidy system and limits on bonuses and promotion, meant that the basic responsibility of an enterprise was to carry out state regulations only. This so-called single level distribution system in which the state took care of everything from top to bottom appeared to assure that the rule of distribution according to work was carried out, but in fact, this unified income and expenditure meant that the state took the lid off the "big pot." In a country of 9.6 million square kilometers over which were scattered hundreds of thousands of enterprises, there were massive differences in production conditions, and in levels of economic performance, and even in a country with an efficient information system, it would be difficult to get any up-to-date understanding of the situation. But the question of wages within each of these many enterprises was nevertheless handled centrally by the state, with the result that if one group of workers was satisfied another group was dissatisfied, and it was impossible to satisfy all demands; when wages were readjusted, production nevertheless failed to increase, and there were still many complaints. There was no choice but for everybody to wait in line for yearly promotion, and distribution according to work existed only in name.

If the wage problem is dealt with uniformly, the actual production and work results of the collective and the individual become divorced, and the problem accumulates; this is the result of the protracted existence of a highly-centralized single-level wage system. Wage reform now represents an urgent task. But all the rules and regulations of the single-level distribution system have tightly bound the minds of some people, who think that if the state has no money, the wage reform cannot go ahead. In fact, the enterprise is a wealth-creating unit, and the reform of wages in an enterprise should be solved by that enterprise itself; the state just has to decide the proportion of the wage funds to the actual labor quantity provided by the enterprise. Then whoever has money can reform, and in this way if the enterprise creates a greater quantity of labor, and its economic performance is good, it will have money to reform wages, and it will give more in taxes to the state. In fact, what acts currently as a material incentive to the workforce is not the basic wage, but cash and material bonuses; in some enterprises, bonuses (including material bonuses) are now actually several times higher than the basic wage. This shows

that a highly centralized single-level distribution system is no longer appropriate to the development of the forces of production; it is beginning to be broken through, and this also shows that enterprises now have the financial power to carry out wage reforms on their own.

The introduction of the wage-linked contract system represents a breakthrough of this single-level distribution system; the state merely calculates a figure for the wage-linked contract, and within the terms of that contract the enterprise has the power to allocate the total wage figure (this is the second level of distribution), to define the form in which wages are given, and to formulate methods of giving bonuses; it has the right, therefore, to practice a floating wage system. This, then, expands the autonomy of the enterprise in the sphere of wages, and enlivens the wage system. This represents the first difficult step on the path to changing from the single- to the two-level distribution system in the construction industry, and this step has shown the following advantages:

1. It helps overcome the excessive rigidity found in state management, and the problem of enterprises having no power whatsoever, such that state control over consumption funds is devolved to the lower levels, assuring material wealth. It is in line with the principle of big things being controlled from above and power over the smaller things devolving to the lower levels. When an enterprise carries out a wage-linked contract system, it uses a variety of distribution forms within that contract to improve economic performance. For example, the Liaoning Provincial Construction Bureau has introduced a system of contracting for material value realized by workers directly involved in production, while second- and third-line personnel have a floating wage system; the Yunnan Province No 2 Construction Company uses the wages left over after the contract to carry out a floating system of promotion; both have achieved marked results.
2. The state is able, through controlling the total wage figures for enterprises, to encourage them to economize on staff, and increase production. Companies under the Yunnan Provincial Construction Bureau made losses in employment costs for years up to 1981, but in 1982, with the introduction of the wage-linked contract system, they reached record levels in all targets. After the system was introduced in the Liaoning Provincial Construction Bureau, first-line production workers in the majority of units rose from the previous 50 percent or so to over 60 percent, while nonproduction workers dropped from something over 25 percent to around 20 percent; and wages dropped to 10.2 percent of each 100 yuan of output value.
3. It encourages enterprises to improve production management and overcome their dependent attitude, and makes everyone concerned about the enterprise--thereby opening up production paths--look for ways to increase production, and on the basis of this to gradually raise wage levels. For instance, the bureaus directly under the Central Construction Corporation, when they introduced contracts, were worried that they would be unable to meet the targets set, but through the hard work of their employees, they achieved increases in the amount of work completed, in labor productivity, in taxes paid, and in wage levels.

II. The Theoretical Basis for the Wage-Linked Contract System

1. Under conditions of socialist commodity production, the labor carried out is primarily collective labor, and only the cooperative specialization of labor can produce commodities and satisfy social needs. Therefore, to carry out the system of distribution according to work requires first that the state carries out distribution according to the amount of work provided by and realized by the enterprise, that is, that state distribution should float along with the value created by the enterprise. This is the first level of distribution, and this is where enterprises make wage-linked contracts with the state. Only after this can enterprises carry out the second level of distribution according to the amount of labor provided and realized by each worker. This second level of distribution happens within the enterprise itself, and as such the enterprise should carry out various forms of distribution depending on actual conditions. For instance, for production workers, a system involving a material contract on the basis of a basic fixed labor figure may be adopted, while for management personnel a floating wage system may be adopted, and so on.
2. The system of distribution according to work involves exchanging material for labor, and exchange is based on an abstract amount of socially necessary labor. Because the enterprise is a relatively independent commodity producer, and a production unit carrying out independent accounting, the exchange for socially necessary labor will inevitably be the socially necessary labor produced by enterprise production. The more effective this labor provided by the enterprise to society is, the more will be exchanged, and the more income the enterprise will receive, so that it will give more to its employees; this is the theory behind the necessity for wages to be linked to an enterprise's economic performance.
3. Within socialism, there exist three different interests, those of the state, the collective, and the individual. If only the state's interests are recognized, without those of the collective or the individual, then the economic lever cannot play a role, still less is it possible to demand that an enterprise carry out independent accounting and take responsibility for profits and losses. Therefore, in distribution, an enterprise's economic results must be taken into account, and its remuneration decided according to the size of its contribution to the state, after which the enterprise will decide, according to the needs for production development and the principle of distribution according to work, funds for production development and distribution of wages. The interests of the state and the collective are ultimately for the purpose of production development, so as to constantly satisfy the people's daily increasing material and cultural needs, and therefore the interests of the state, the collective, and the individual are basically the same, and though each is relatively independent, all must be subordinate to the unified state plans. This is the reasoning behind the introduction of the two-level distribution system which takes into account the interests of all three parties.

This two-level distribution system has meant the introduction to construction enterprises of the wage-linked contract system; and practice has proved that this encourages the enterprises to develop production and raise economic efficiency and the workers also get real benefits. However, enterprises are located in widely differing geographical and meteorological conditions, and current prices are irrational; in particular, the construction industry is a small-profit-margin industry, and if wages also linked to production performance, it is difficult to avoid great differences in gain due to exterior factors. The question of how to eliminate these differences in interests, and establish a rational pricing system, is a complex one, which at present can only be solved through tax differentials. Also, within the construction industry, due to the fact that construction contracts are different in structure, with some tasks not yet defined at the beginning of the year, and big changes taking place in the projects during the year, the question of how to rationally define a wage contract system has still to be studied in practice.

III. The Definition of a Wage Contract System and Floating Methods To Be Adopted in Accordance With It

The key to the wage-linked contract system lies in the correct, scientific calculation of the percentage of wages for each 100 yuan of output value. The basic formulae this is as follows: $\text{wages}/100 \text{ yuan of output value contract system} = \frac{\text{total wage figure within the scope of the calculation}}{\text{total enterprise output value within the scope of the calculation}} \times 100$.

Here, we are discussing mainly how to ascertain the basic numerator and denominator, and at present various areas are adopting three basic figures, planned, theoretical, and actual figures. Planned figures mean calculated estimates of total output value and total wage figures in the annual plan. Theoretical figures mean a calculation, on the basis of planned projects, construction figures, cost figures, and personnel numbers estimated, of a fixed figure for wage costs and the amount of work to be done. Actual figures mean, on the basis of the actual level of wages as a percentage of output over the past few years, including changes in projected construction contracts undertaken within the calculation period, making the appropriate adjustments.

Of these three methods, the theoretical figure should be taken as the basis. This is because it is calculated on the basis of the ratios between budgeted projects, construction figures, cost figures, and overall numbers of personnel; in this way this estimate represents the sales price, and is therefore the monetary manifestation of socially necessary work. Of course, on this premise we may also use actual figures as a reference, but they can only show the various amounts of labor done by an enterprise, and cannot be taken as a standard; only when the amount of work done by an enterprise falls below the socially necessary amount of work may the actual figures be made use of, because if actual figures higher than the socially necessary amount of labor are used, they will become factors protecting backwardness, which is not in line with the principle that the proportion of wages in total output should be lower than the predicted fixed figure.

The total output includes C plus V plus M. There are wide divergences in construction products, since they have different ratios of inanimate labor, C, and animate labor, V. For example, statistics for the proportion of wages per 100 yuan output value may be as follows: walls and floors for high, multi-story blocks, 9.50 yuan; plastering and external finishing, plus internal framework, 11.50 yuan; and for structures with internal plasterwork and external brickwork, with precasting, 12.50 yuan. If the project target changes, the proportion of wages will also change. Therefore, in my opinion, the system of wages as a proportion to total output value should be changed to wages as a proportion of net output value. This would be more rational, since net output cuts out the inanimate labor factor C, and can therefore eliminate the influence of changes in inanimate labor brought about by changes in the structure of the project. At the same time distribution according to labor represents the distribution of newly created value, that is, V plus M, which has nothing to do with inanimate labor, or C, so that to include C as a basis for calculating wages in distribution according to work is theoretically untenable.

The system involving wages as a proportion of output value represents a comprehensive index; it cannot show the overall economic performance of an enterprise, and it is not rational to purely calculate output value to decide distribution, since it may lead to enterprises pursuing only output value to the neglect of quality, which will raise costs and lower profits. In addition, output value is not commodity output value but overall output value; it is not after-sales value, not the ultimate achievement of an enterprise, but instead it can only show the intermediate results of an enterprise during the production process. Therefore, there are drawbacks to using this index to decide on distribution, and it needs supplementing by a whole series of other indices. The reform of the construction industry must center on shortening construction periods, cutting costs, improving the quality of work, and raising investment returns. Therefore, wage indices should be linked with construction area completed, job quality, costs, and profits, and float according to all these things. For instance, some units have ruled that for each of the above targets not completed, 2 percent of the total wage figure should be deducted; some have ruled that for each 1 percent by which costs or profits fail to reach their respective targets, wages would be cut by 0.2 percent, and so on. Only in this way can the wage-linked contract system play the role of encouraging enterprises to raise their overall economic performance.

The wage-linked contract system is a way for the state to distribute wages to enterprises, and the enterprises themselves must decide how to distribute wages internally on the basis of actual conditions. They may use a variety of forms, such as the floating wage system, or various forms of economic contract systems, but they must always be based on the economic responsibility system and the productivity rate, and cannot use the same wage-linked contract system, because an enterprise's internal relationships are not commodity-currency relationships, and do not involve commodity exchange, but instead carry out distribution according to work based on average figures of the advanced, and only in this way can the initiative and diligence of employees be encouraged.

ECONOMIC MANAGEMENT

DISTRIBUTION ACCORDING TO FACTORS OTHER THAN WORK

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pp 44-47

[Article by Hu Fengji [5170 6646 0679] of Hubei Institute of Finance and Economics: "On Factors of Distribution Not According To Work and the Counter-measures Which Should Be Taken"--written in June 1984]

[Text] In the elementary stage of socialism, laborers' income is made up of two parts: That which is distributed according to work and that which is not distributed according to work. This article will analyze the composition of that part of income not distributed according to labor, the present state of affairs, the trend of development, and the strategy to be adopted in connection with this.

In terms of the total amount of laborers' income, about half of the income of urban laborers comes from wages and bonuses, while the other half comes in the form of price subsidies for consumer goods and various kinds of collective welfare. This mode of distribution has not put into effect the principle of ensuring the leading role of distribution according to work despite the fact that wages and bonuses are distributed according to work. As far as the general trend during the elementary stage is concerned, we believe that the absolute amount of income not distributed according to work will increase although its proportion will decrease. Of course, the situation of the various factors outside distribution according to work is different. The following is a concrete analysis of various issues:

1. Real Income Coming From Price Subsidies for Consumer Goods

This portion of income accounts for one-third of the income of urban laborers. This means that one-third of the income of urban laborers is tied to the amount of their consumption rather than the amount of their labor. The greater the amount of their consumption, the more they receive in terms of real income. The smaller the amount of their consumption, the less they receive in terms of real income. This actually means redistribution of the national income through the price lever. This kind of redistribution benefits laborers who have many members in the family but a small labor force because their income will be high. It is unfavorable to laborers who have very few people but a big labor force in their families. This mode of distribution which is tied to the amount of consumption rather than the amount of labor is harmful if judged on the basis of

social reproduction. This is because it encourages people to spend more rather than work more. It also has a negative effect on birth control. Thus, speaking in terms of general requirements, we should gradually change consumption-related income into labor-related income. In other words, we should change price subsidy expenses into labor remuneration expenses in order to arouse people's enthusiasm for labor. Of course, analysis must be carried out as to the specific types of products that will receive price subsidies. With the exception of grain under planned supply, which will continue to receive price subsidies for a fairly long time to come, subsidies for nonstaple foodstuffs such as oil, meat, fish, and eggs and other commodities should be gradually reduced, even cancelled, as the income of laborers increase. This part of allocation for subsidies will then be absorbed into remuneration for labor. Will this affect the people's livelihood? No, because the total income of laborers will not have been reduced, only the channel of income will have been changed. Moreover, since each urban laborer only supports 0.5 person on the average, it will not create any difficulties for the average family.

Here, I would like to discuss in particular the question of housing subsidies. For more than 3 decades, housing as a kind of welfare has received high subsidies. At present, monthly rent per square meter is only 0.126 yuan, although the actual rent should be 1.427 yuan. This means that for each square meter, a monthly subsidy of 1.3 yuan has to be given. This housing system, which is heavily subsidized, results in people's real income increasing with the housing area they occupy. If the housing area they occupy decreases, their real income also decreases. For example, for a laborer who occupies 100 square meters of housing area, his actual income is 104 yuan (80×1.3 equal to 104) more than one who occupies 20 square meters. This kind of income which is tied to the housing area occupied is obviously not in keeping with the law of distribution according to work. At the same time, it also does not reflect the welfare nature of housing. It is not conducive to the turnover of funds for housing construction, slows down the rate of construction and results in severe housing shortages. Because of this system, the housing area occupied by urban inhabitants in 1982 was not even up to the 1949 level. (In 1982, housing area per capita was 4.4 square meters; in 1949, it was 4.5 square meters). This system of virtually free housing is beyond historical possibility.

If rent subsidies are converted into workers' cash income and pegged to the amount of their labor, and if housing units are sold or rented according to the commodity principle, the above-mentioned contradiction can be readily resolved. Laborers may decide for themselves whether to have a more spacious living area or spend more on other items. If the monthly rent were raised to 1.427 yuan per square meter, would anyone want to occupy additional housing? Would the situation occur where new housing is completed but is left vacant for a long time because there is more demand than supply? Would housing problems become a cause of friction among laborers? The sale of housing units on a commercial basis and the speeding up of capital turnover will not only quicken the tempo of housing construction but contribute to bringing about a fundamental change in the housing situation and make efficient use of construction funds. Changing rent subsidies into remuneration distributed according to work is naturally

just a change in the mode of distribution. The state will not have to increase expenditure because of this. Neither will the total amount of laborers' income change. This is in keeping with the law of distribution according to work and with the demand of the broad masses of laboring people. It will also give impetus to production. (Of course, this means that a small number of people who now occupy too much housing will have to pay more.)

Thus, price subsidies for consumer goods should gradually be converted into remuneration for labor. The only exception is grain. Subsidies for this fundamental means of consumption may be preserved for a considerably long time to come. In the income of laborers, payment pegged to the amount of labor will increase, whereas income pegged to the amount of consumption will decrease. In other words, the proportion and absolute amount of price subsidies in laborers' real income will decrease. I believe that there will be no real problems in reform in this regard. The reasons are: First, there will be no reduction in laborers' total income and there will be no need for the state to increase expenditures. Second, putting an end to price inversions is not only conducive to the improvement of management and operation but may actually increase state revenue or lead to the lowering of commodity prices. Third, because the non-laboring population supported by the urban labor force is very small, it is unlikely that there will be great changes in the actual income and expenditure of ordinary families. Families that run into difficulties on account of this may be given help in the form of priority job allocation and material subsidies. Remuneration for people who have retired or left their posts may be readjusted according to the commodity price index so that their real income will not drop.

2. Real Income Coming From Collective Welfare Expenditures

In recent years, the expenditure on collective welfare undertakings owned by the whole people has consistently accounted for over 20 percent of payment for labor. Some of this collective welfare expenditure is necessary. This includes subsidies for one-third families, expenses incurred in workers' free medical service (there are many loopholes and serious waste in free medical service, and improvements have yet to be made in its concrete application), health subsidies, and so on. But there is quite a considerable portion that is not rational, such as per-capita for water and electricity in some places, laundry and hair-dressing expenses, and so on. Some units even supply water and electricity free. How can this not lead to the waste of energy? I think that in the elementary stage of socialism, all collective welfare granted according to the principle of share and share alike are not expressions of the superiority of socialism. Collective welfare must be limited to that which is not fit to be borne by individuals and is needed for the reproduction of labor power. This kind of collective welfare expenditure should not be increased. Its relative amount should be reduced, in fact. How can distribution according to work not be affected if over 20 percent of the fruit of labor is equally shared out in the name of collective welfare? Only when socialist society has already been established and transition is made to communist society can the proportion of collective welfare in the fruits of labor be gradually increased.

3. Real Income Coming From Price Subsidies for Agricultural Means of Production

As far as the peasants are concerned, these kind of price subsidies are partial refunds for taxes they have paid to the state. Thus, price subsidies for agricultural means of production actually increase the income of peasants. Because this portion of income is pegged to the amount of funds and purchasing power of the peasants rather than to the amount of their labor, the wealthier the agricultural collectives and peasant households, the greater their power to buy, and the poorer the agricultural collectives and peasant households, the less they can buy. Thus, the benefits gained by these two types of agricultural collectives and peasant households also differ. From the angle of fairness this seems inappropriate. But, from the angle of increasing the commodity amount of farm products as quickly as possible and expanding agricultural reproduction, this is advantageous. By and large, these kinds of price subsidies are appropriate. Of course, subsidies for specific products still need to be analyzed. Generally speaking, in regard to commodities like coal and oil where the situation of demand exceeding supply is not easy to change, price subsidies should be gradually reduced, even cancelled. In regard to agricultural means of production like farm machinery where production capacity can be increased fairly quickly or where there is surplus production capacity, price subsidies should be made a long-term policy. This is conducive to giving full play to the capacity for producing farm machinery and to increasing agricultural labor productivity.

With a view to ensuring the coordinated development of agriculture and other economic sectors, many countries in the world are implementing a preferential policy of subsidizing agriculture. If we can, in addition to granting price subsidies for agricultural means of production, we should extend favorable loan terms to help the poor peasant households and agricultural collectives so they, too, can purchase agricultural means of production and enjoy the benefits of this kind of price subsidy. This is even more advantageous to bringing about an all-round upsurge in agriculture.

4. Real Income Coming From Laborers' Savings Deposits

As far as laborers are concerned, income from interest is a kind of income from labor and is not a kind of non-labor income as some people call it. Why is it considered to be income from labor? Because interest is partial return of the surplus product value created by the laborers. For example, total savings of urban staff members and workers amounted to 44.73 billion yuan (at the end of 1982). Calculated at an interest rate of 5 percent per annum, interest amounted to 2.35 billion yuan a year. On the other hand, total profits and tax handed over by these people to the state amounted to over 80 billion yuan. Their income from interest only accounted for a very small part of their surplus product value. Because interest is created by the laborers themselves, it is income from labor. What makes it different is that it is pegged to the amount of deposits rather than to the amount of labor. In order to increase real capital for expanding reproduction, we should encourage laborers to turn their consumption funds into accumulation funds through credit. This will benefit both socialist construction and the laborers themselves.

5. Regulation of the Flow of Labor Power and the Disparity in Payments for the Same Amount of Labor

In socialist society, labor power is not a commodity. But, in order to regulate the flow of labor power and suit the demand structure of labor power to that of supply, it is not completely feasible to practice distribution according to work in payment for different types of labor. This may be due to the following reasons: 1) The regional structure of labor power. In order to stimulate the flow of labor power into areas waiting to be developed, or where labor power is urgently needed, payment for certain types of mental laborers and technicians in areas to be developed, in the west, and in the rural areas should be higher than that for their counterparts in the big cities in the east who also perform the same amount of work. Some people think that these regional subsidies are necessary because the cost of labor power reproduction in these areas is high. But this understanding is not quite correct. How could the cost of labor reproduction be higher in the rural areas than in the cities? Actually this cost is determined by the contradiction between the supply of and demand for labor. 2) The departmental and trades structure of labor power. In order to divert the flow of labor power into some newly emerging industrial departments, laborers working in these departments may be paid more than those doing the same amount of work in other departments. This may be called a trades subsidy. 3) The vocational structure of labor power. In order to ensure that laborers of certain professions will stay on and that there is no lack of successors, a system of high subsidies should be instituted for such posts as night-soil collectors and street cleaners in cities, furnacemen in crematoriums, and watchmen in hospital mortuaries. 4) The proficiency structure of labor power. When there is a shortage of skilled labor, payment for this labor should be higher than the amount distributed according to work. Fundamentally speaking, the above mentioned distribution which is divorced from the amount of labor is affected by the supply of and demand for labor power. In the elementary stage of socialism, if we only stress distribution according to work, pay no attention to the supply and demand situation in specific jobs, and do not adopt relevant economic measures, imbalance in the supply of and demand for labor power can hardly be avoided.

6. Disparity in the Real Income of Staff Members and Workers of State-run Enterprises Resulting From Differences in Performance

For the same amount of labor put in, income of the staff members and workers of different enterprises may vary due to differences in the performance of these enterprises. As far as individual laborers are concerned, this difference in income is also payment for labor not distributed according to work. But, if the staff members and workers of enterprises are viewed as a labor force, this disparity resulting from performance is, in fact, a difference in income resulting from the qualitative difference in the management of labor. As far as the labor force of an enterprise as a whole is concerned, this belongs to distribution according to work. With the elimination of the practice of everybody eating from the "big pot" of enterprises, this difference will be enlarged to a certain extent. Thus, it seems unrealistic to demand equal pay for equal work for staff members and workers of state-run enterprises.

7. Disparity in Real Income Resulting From Differential Earnings

Differences in productivity resulting from differences in natural resources or geographical location may give rise to differences in earnings. This is called differential earnings I. What effect does this have on the income of laborers? As far as state-run enterprises are concerned, differential earnings I will not affect the income of their staff members and workers. This is because the enterprises are wholly owned by the state. As for collective enterprises, the state can only obtain part of their earnings through taxation. In this way, laborers of different enterprises performing the same amount of labor may find their income varying due to differential earnings I.

Differential earnings II produced by additional investment should, in principle, be pocketed by those who made the investment. Specifically speaking, differential earnings II produced by state investment in state-run enterprises all go to the state. Fixed assets of state-run enterprises acquired with their own funds still belong to the state, but their earnings should be distributed between the state and the enterprises concerned in order to stimulate the enthusiasm of enterprises in making investment. In regard to differential earnings resulting from economic investment by collectives, a large proportion should be retained by the enterprises while a small proportion may be redistributed through taxation. In short, in the elementary stage of socialism, the effect of differential earnings on the real income of laborers cannot be denied. In addition to payment obtained through distribution according to work, laborers also receive remuneration from differential earnings.

Political factors must also be considered on the question of remuneration for laborers. This is not determined by the principle of distribution according to work. For example, intellectuals who have returned from abroad and compatriots from Taiwan should be given preferential treatment with a view to strengthening our intellectual ranks and promoting the reunification of the motherland. Their remuneration may be much higher than that offered to mainland laborers doing the same amount of work. This is obviously necessary.

The above is an analysis of various factors of distribution not according to work which actually exist. In summary, we can draw the following basic conclusions: First, distribution according to work is the main principle to be followed in the distribution of consumer goods in a socialist society. Our present task is to gradually increase the proportion of payment pegged to the amount of labor so that it can really become the principle source of the income of laborers. Second, factors of distribution not according to work do exist. These factors must be concretely analyzed and should not be opposed or affirmed in a sweeping manner. Some of these factors should be restricted or gradually reduced, while some should be preserved or gradually extended. Third, in judging the forms of distribution, we should look at their adverse effect on production rather than proceed from moral principles.

FINANCE AND BANKING

CHARACTERISTICS OF THE PRODUCT TAX

Beijing CAIZHENG [FINANCE] in Chinese 8 Jul 84 pp 28-29

[Article by Yan Hungchu [0917 1347 0443]]

[Text] The product tax is levied at a set rate (or a set amount) with production units and individuals as the payers and the sales volume of the product (or the unit quantity of the product) as the basis of calculation. It is not affected by the size of the enterprise's cost, and its amount increases along with the increase in the sales volume. It is an important means used by the state to acquire its financial revenues in a timely and secure manner. It has the following characteristics:

1. The rate of the product tax is generally decided in accordance with the product and is unified for the same kind of products. Thus, the product tax has the characteristic of products that have the same tax burden. Among products of the same kind, the size of their profits may vary because of differences in grade, specifications, the manufacturer's production capability and scope and the structure of the raw materials used. Although it is possible to adopt the method of deciding the rate in accordance with the product's grade, the characteristic of the same tax burden for products of the same grade remains even when such a method is adopted. This characteristic reflects the policy of balancing the tax burden and bringing about a reasonable tax responsibility. In other words, once the rate of the product tax is set, all enterprises producing such a product, regardless of their economic nature and location, are subject to this unified rate as long as their selling prices are the same. This practice enables different enterprises to begin competition in production and management for the purpose of achieving great economic results while paying a tax at the same rate.

For example, Enterprises A, B and C produce the same kind of product and sell it at a unit price of 100 yuan. At a rate of 20 percent, the product tax paid by each of them is 20 yuan. However, because of the different levels of management and administration, their profits are not the same. The practical situation is as follows:

Unit: yuan

<u>Name of Enterprise</u>	<u>Selling Price</u>	<u>Cost</u>	<u>Tax</u>	<u>Selling Profit</u>	<u>Selling Profit Rate %</u>
Enterprise A	100	50	20	30	30
Enterprise B	100	60	20	20	20
Enterprise C	100	70	20	10	10
Average of A, B & C	100	60	20	20	20

In light of the above example, owing to the fixed rate of the product tax which does not change along with the fluctuation of the level of the enterprise's profit, Enterprise A has a high profit rate because of the low cost and its 30 percent profit rate is higher than the average profit level, while Enterprise C has a low profit rate because of the high cost and its 10 percent profit rate is lower than the average profit level. This example illustrates that by bringing about the same tax burden on the same kind of product, the product tax has the effect of encouraging the more advanced and urging the less advanced. An enterprise with a high rate of labor production, small consumption of material and low cost makes a greater profit, while an enterprise with a low rate of labor production, large consumption of material and high cost makes a smaller profit.

2. The rate of product tax for different products varies in accordance with the products. Thus, the product tax has the characteristic in which the product tax differs when the products are different. This characteristic enables the product tax to regulate the profits of the manufacturers producing different products with different tax rates and to apply its influence in microeconomic activities and guide the production to develop rationally in accordance with the macropolicy's requirement. The effect in this respect is seen in the practice of determining which products should be taxed and which ones should not and which products should be taxed more and which ones should be taxed less. For example, the high-tax policy is applied to tobacco, wine, cosmetics, wrist watches, etc. and the low-tax policy to clothing, food, shoes, hats and matches. The tax burden is raised for products whose supply exceeds the demand of society, and the tax rate is appropriately lowered for those products whose supply falls short of demand. The tax is levied at a low rate or is exempted on those products manufactured with new techniques, new equipment and new technology during the initial production period. By doing so, we can achieve the goal of keeping products whose quality is good and discarding those whose quality is poor, limiting products in excessive supply, promoting those in short supply, eliminating backwardness and regulating production.

The policy of levying a high or low tax on certain products in accordance with the need of the state had been executed as early as the beginning of the 1950's when the commodity tax was imposed. For example, when deciding the tax burden, we made it lighter on heavy industrial products than on light industrial products, lighter on the means of production than on the means of livelihood, lighter on daily necessities than on general industrial goods and lighter on general consumer goods than on luxuries. Under the situation then in which various kinds of sectors of the economy were coexisting, the planning

and management system was still incomplete, the state could not yet effectively control the market prices and those policies played a positive role in regulating production and consumption. The situation at the present time has changed significantly because of the development of economy, the improvement of the level of planning and management, the expansion of economic activities with foreign countries and, particularly, the second-phase reform of substituting tax payments for profit delivery. Hence, we must base our efforts on the new situation to study matters concerning the establishment of a product tax so that we can make it bring its effect of rewarding and restricting production into full play.

3. The product tax also has the characteristic of being a tax within a price. This characteristic enables the product tax and the price to check and supplement each other and jointly bring their economic leverage into full play. The product tax's main performance in economic leverage is seen in two areas:

On the one hand, in coordination with the price policy, it can bring the regulation of consumption and production into full play. For example, for regulating consumption, the state applies the high-price policy to certain products, but it must supplement this action with taxation because otherwise, the enterprise producing the high-price product would get a high profit and be stimulated to engage itself in unchecked production, and the policy would not achieve its goal as expected by the state. By applying the policies of a high price and a high tax in a coordinated way and by raising the rate of the product tax, the state is able simultaneously to control consumption with a high price and to check production with a high tax. Another example is that to encourage consumption and lessen the people's burden, the state sets the selling price of a certain product lower than its value, but such a measure will affect the enthusiasm of the enterprise producing the product because it is unable to attain part of the product's value and to get more profit from the product because of its low selling price. By lowering the rate of the product tax, the state can encourage consumption with the low-price policy and meanwhile enable the enterprise to acquire its necessary profit and carry on its production as usual with the low-tax policy.

On the other hand, with the product tax as the tax within the price, the state under given conditions can change the rate of the product tax and regulate the product's selling profit to slow down or dispel the adverse influence brought upon economic development by an unreasonable price. For example, matches, one of the people's necessities of living, needs a readjustment of the selling price because the enterprise makes no profit due to the increase of raw material prices and the high cost, but the selling price cannot be readjusted because it will affect the consumers' interests. Under such circumstances, the enterprise's enthusiasm is likely to be influenced, thus causing production and demand to be disjointed and the market short of supplies. When this situation occurs, the state may adopt the method of lowering the rate of the product tax to enlarge the enterprise's economic interests by reducing its tax and increasing its profit and to slow down or dispel the contradiction. Some products which for various reasons have their prices higher than their values need to have their prices lowered, but this cannot be done immediately. When this situation occurs, the state may raise the rate of the product tax to

restrict the enterprise from engaging itself in the unchecked development of its production resulting from the high profit. However, we should take notice that, fundamentally speaking, the problem of an unreasonable price must be solved through the readjustment of the price since the tax can play its role in slowing down or dispelling the contradiction only in a given period or under given conditions and cannot serve as a substitute for price to bring its role into full play. On the contrary, only if the price policy is rational, can the effect of the tax's financial and economic functions be brought into full play.

In sum, in view of the fact that the product tax has these characteristics of its own, we should make it bring its specific role in rewarding and restricting production into full play for economic development, thus becoming one of the economic means employed by the state on the management of economy. Establishing and correctly applying product tax will have a positive impact on the development of production, the restructuring of the economic system and the logical handling of the relationship of distribution between the state and the enterprises.

12730

CSO: 4006/768

MINERAL RESOURCES

CHINA'S OUTPUT OF NONFERROUS METALS RANKS SIXTH IN WORLD

Beijing GONGREN RIBAO in Chinese 27 Jul 84 p 1

[Article: "China's Output of Nonferrous Metals Moves up to the Sixth Place in World"]

[Text] China has now formed its production system complete with various categories for nonferrous metals, and its output of nonferrous metals has moved up to sixth place in the world.

The metal which mankind used the earliest was copper and its alloys, and China was one of the pioneer countries that invented and used wares made of bronze. As early as over 4,700 years ago, the Chinese people had already mastered the technology of extracting and processing copper and its alloys. During the Xia and Shang Dynasties, they had smelted bronze in large quantities and used it to make production tools, sacrificial vessels, articles for daily use, coins, weapons, etc. The output of copper and lead in the Yuan and Ming Dynasties was among the largest in the world, as were the smelting techniques, such as smelting copper by the method of copper gilding and mixing gold with silver. However, the old China's national mining industry was on the verge of death and the mineral-smelting and processing industries were very few because of the invasion of the imperialists who made non-ferrous mineral products their targets of plunder.

Since the founding of the New China, the party and government have supported the exploitation of nonferrous metals with manpower and financial and material resources, thus promoting the development of the nonferrous metals industry. Up to now, a fair-size system of the nonferrous metals industry has been established. These categories, such as geological prospecting, mining, selection of mines, smelting, processing and various supplementary production enterprises as well as education, scientific research, prospecting, designing, construction and production management and technique control, are relatively complete. In the past 35 years, China has found a number of mineral resources of nonferrous metals, and the reserves of such nonferrous metals as wolfram, tin, antimony, titanium, zinc, tantalum, niobium and rare-earth metals are thought to be among the world's largest. To exploit these reserves, the state has built a number of nonferrous metal mines and smelting and process enterprises as well as formed a production capability of considerable scope. The contingent of staff and workers has reached over 1 million people, and the current number of nonferrous metals enterprises

and institutions is more than 800. Except for Tibet, all provinces, municipalities and autonomous regions have their own nonferrous metals industries.

In 1983, China's output of nonferrous metals moved up to sixth place in the world, and the yield of 10 nonferrous metals, namely, copper, aluminum, lead, zinc, tin, nickel, antimony, bismuth, cadmium and mercury, had nearly a 100-fold increase over 1949. As far as variety is concerned, in addition to those nonferrous metals most in use, the production of rare-earth metals, rare and scattered metals, metals that are hard to melt, material for semiconductors and expensive metals has been developed on a fairly large scale. The alloy industry has developed from a "have-not" to a "have" situation, from small to large and to a situation of being able to supply all departments of the national economy with plates, pipes, roads, belts, wires, threads, foils, moulded materials and forged pieces made of all kinds of nonferrous metal as well as all types of hard alloy materials. The quality and variety of these metal materials have basically satisfied the demands of such industrial departments as atomic energy, space flight, shipbuilding, chemistry and electronics. Since some varieties have enough to spare, they are sold on the international market.

12730

CSO: 4006/762

MINERAL RESOURCES

SICHUAN DISCOVERS NEW MINERAL RESOURCES

Chengdu SICHUAN RIBAO in Chinese 8 Aug 84 p 1

[Article by Liu Jingshi [0491 4842 0013]: "Sichuan Discovers New Mineral Resources in 1984 Via Geological Drilling in Key Mining Areas"]

[Text] Since 1984, the Sichuan Provincial Geology and Mineral Resources Bureau has made additional progress in geological drilling and created favorable conditions for the exploration of underground resources. Through its efforts in the first half of the year, it has discovered new mines of lead, zinc, potassium, strontium and rock salt, and the fruitful drillings in the key mining areas of coal, sulphur, gold and phosphorus have brought about a gratifying situation for Sichuan's mining industry.

This bureau has found many new mineral resources via its general geological investigation and exploration in the first half of this year. Two drillings for general investigation in the highland area of western Sichuan have detected a bed of high-grade lead and zinc of which the respective thicknesses are 35 meters and 48 meters. A new salt mine has been spotted in the black salt pond in the Panxi Salt Source. This mine is so thick that the drilling which is still in progress has not yet gone through it after a depth of 370-plus meters. The general investigative drilling aimed at exploring potassium has discovered a 12-bed mine of polyhalite which is high in purity and shallow in underground position and has a total thickness of 4.5 meters. The exploration has also found celestite (strontium), which is an important mineral for the color television production industry.

In the coal mining area of Shibao, which has enormous potential, all of the five drillings completed in the first half of this year have discovered coal of which the deposit has an average thickness of 6.1 meters. Four drillings have been conducted this year in the Dongbeizai Gold Mine, which the Ministry of Geology and Mineral Resources lists as the second key mining area of gold, and all of them have found gold. Ten drillings to explore coal and sulphur have been conducted this year at Zhoujia in Xinwen, a key mining area in southern Sichuan, and all of them have discovered sulphur, with five having detected a two-bed deposit of coal.

12730

CSO: 4006/765

MINERAL RESOURCES

MINERAL DEPOSITS IN ZHEJIANG REPORTED VERIFIED

Hangzhou ZHEJIANG RIBAO in Chinese 17 Sep 84 p 1

[Article: "Zhejiang Province Has Verified Deposits of 51 Kinds of Minerals--The Broad Masses of Geological Workers Traveled Across Mountains and Rivers Braving Winds and Rain in Search of Minerals; Reserves of Nine Nonferrous Minerals Rank First in the Nation"]

[Text] Starting from scratch and developing from small to large in size, geological undertakings in Zhejiang province have made rapid progress in the 35 years since the founding of New China. Throughout the Province, the deposits of 51 kinds of minerals have been verified and the application and research of nonferrous metallic minerals rank among the advanced in the country. Numerous significant achievements have been made in hydrogeological, engineering-geological and environmental-geological work. The geological system has daily become an indispensable "vanguard" to stimulate the economy in Zhejiang.

In old China, Zhejiang did not have proven deposits of a single ore or a presentable mine. After liberation, the broad masses of geological workers in Zhejiang, who braved adverse weather conditions and terrain, verified the deposits of 51 types of mineral successively, among them, the deposits of nonferrous metallic minerals, including alumstone, zeolite, diatomaceous earth, pyrophyllite and fluerite, rank first in the country. Sodium-based bentonite was discovered in Zhejiang for the first time filling a blankness in nonferrous metallic minerals in China. The bentonite has extensive use and very high economic value. It was discovered and is being extracted in a few countries in the world today including the United States, the Soviet Union, Italy and Greece which China had to rely on for imports in the past. The bentonite extracted in Zhejiang province has not only ensured the needs in Zhejiang's metallurgical and chemical industries but is also selling well in 14 provinces and cities and is being exported to several countries including Japan and Britain. The kaolinite mine on the southeastern Zhejiang coast and the fluorite mine in the Jinhua prefecture have been listed as the key producing districts in the country, where the volume of fluoroite export accounts for over 50 percent of the national total. The number of new mineral-producing areas is increasing continually; at present there are 418 mineral-producing areas in Zhejiang which are ready for designing and extraction. The newly verified gold mine

in Suichang has an abundant reserve that may be rated as "the first gold mine south of the Chang Jiang. Thus it has changed the situation that "there is no gold south of the Chang Jiang". As the present annual gold output has exceeded 10,000 liang. Meanwhile, the broad masses of geological workers have also stepped up the study of the mineral composition and structure and physio-chemical properties. By taking the results of study on the sodium-based bontonite and applying them to production, the iron-smelting sub-plant of the Hangzhou Iron and Steel Plant was able to markedly raise the finished product rate of its iron pellets; it achieved notable results in the de-sulphurization process and in reducing production costs. The use of zeolite has expanded from industrial and agricultural production to environmental protection and the most advanced branches of scientific research for national defense.

Guided by the principles of "catering to economic construction and social development in the urban and rural areas", the geological departments have also expanded the service sphere. Since the 3rd Plenary Session of the 11th CPC Central Committee, hydro-geology, engineering geology and environmental geology have played a greater role in serving the economic construction in Zhejiang. For 5 years, serving the 24 key construction projects for the state and Zhejiang, the geological workers completed geological prospecting for key construction projects including the Beicang harbor, the Taizhou Power Plant and the Qinshan nuclear power station and embarked on regional comprehensive investigation of geological, hydrological and engineering aspects, mineral products, terrestrial heat and underground water. They have located new water resources for both civilian and industrial use by the newly developed industrial districts and have monitored the earth subsidence in Ningbo and Jiaying areas. The geological work in Zhejiang province is progressing in new magnitude and depth.

12662

CSO: 4006/36

MINERAL RESOURCES

MINERAL DEPOSITS IN JIANGSU REPORTED VERIFIED

Nanjing XINHUA RIBAO in Chinese 19 Sep 84 p 1

[Article: "Mineral Resources in Jiangsu Province Are of Great Variety, Large Deposits and Widely Dispersed--A Mutually Promoting Constructive Cycle of Resource Prospecting Mines Exploitation and Economic Development Has Taken Shape"]

[Text] As a result of large-scale geological prospecting in Jiangsu Province, 81 kinds of minerals have been discovered up to now and the deposits of 52 kinds of minerals have been verified. These figures represent about 60 percent of the variety of minerals discovered in the country and about 40 percent of the minerals whose deposits have been verified. These minerals are distributed in more than 900 places, of which more than 200 have been built into mines.

Jiangsu Province, sitting astride the two geological structures of the North China paraplatform and the Yangzi paraplatform, is endowed with favorable conditions for multiple mineralization and thus becoming a relatively rich mineral resource. However, the number of minerals discovered in Jiangsu was a little more than 10 before liberation and only about 10 kinds were extracted, the scale of operation was small and the output was low. Since liberation, the geological contingent of Jiangsu has continued to grow and with the continual improvement in technical equipment and the use of remote sensing, electronic computers, laser and other advanced technology, the mineral prospecting capability has been greatly enhanced. The results of prospecting over the years show that mineral resources in Jiangsu bear the characteristics of greater variety, larger deposits and wider distribution. The several hundred million dun of verified iron minerals can basically satisfy the needs of Jiangsu's iron and steel and metallurgical industries. The verified large lead-zinc mine in Qixia Mountain in Nanjing and a number of lead-zinc mines discovered in Suzhou Refecture have increased the lead and zinc deposits verified earlier by three-fold. Moreover, the silver and gold mines associated with the lead-zinc mine in Qixia Mountain operating on large and medium scales have provided advantages to lead, zinc, silver and other mineral resources in Jiangsu. The over 10 billion dun of fine limestone discovered in Xuzhou and southern Jiangsu have ensured the needs of the cement industry. The newly discovered minerals such as pearlite, pumice,

vermiculite and tuff have provided resources for developing the light-weight building material industry. The coal field recently discovered in Suzhou Prefecture with a deposit of nearly 100 million dun is one of the largest verified coal fields south of the Chang Jiang. The large kyanite mine discovered in Shuyang provides high-grade refractory material that is rare at home and abroad. The recently prospected soda ash mine in Jimae Mountain in Tongshan County has provided over 100 million dun of raw materials for the Lianyungang Soda Plant, a national key project. The soft gypsum mine of considerable scale discovered in Pei County has reserves of more than 1 billion dun according to an initial estimate. Because Jiangsu Province is economically developed and has a good transport service and strong processing capability, mineral resources, once discovered, can be exploited and utilized thus forming a mutually promoting constructive cycle of resource prospecting, exploitation and economic development. Of the 15 mineral-producing areas prospected by the Jiangsu Provincial Geological and Mining Bureau between 1979 and 1983, 14 have been utilized by the industrial sector.

12662

CSO: 4006/36

INDUSTRY

SHANGHAI INDUSTRIAL OUTPUT REPORTED MAKING GAINS

Shanghai WEN HUI BAO in Chinese 5 Jul 84 p 1

[Article: "Shanghai's Industrial Output Value Up by 8.8 Percent"]

[Text] The Shanghai Economic Commission announced the day before yesterday that industrial output in Shanghai for the first half of this year continued to gain, with the gross value amounting to over 36.4 billion yuan, up 8.8 percent over that of the same period last year and fulfilling 51.6 percent of the annual plan. These figures show that the value of light industrial output gained 20,230 million yuan, up 9.4 percent over that of the same period last year, while the value of heavy industrial output gained 16.2 billion yuan, up 8 percent.

In the first half of this year, the output of 62 of a total of 89 categories of planned products assigned by the state attained or surpassed the annual plan, with 60 others doing better than the same period last year. Output of tape recorders, washing machines, refrigerators and other durable products which have been in short supply for a long time increased from 40 to 90 percent.

According to a survey conducted by the Shanghai Municipal Economic Commission, the growth of the city's industrial output in the first half of this year was mainly attributable to the readjustment of the product structure and the further widening of the distribution channels. This contributed to an improvement of economic results.

12661

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INDUSTRY

SHANXI INDUSTRIAL OUTPUT INCREASES

Taiyuan SHANXI RIBAO in Chinese 6 Jul 84 p 1

[Article: "Shanxi's Industrial Output Makes Gains in First Half of This Year"]

[Text] Following the implementation of reforms, it is gratifying to note that Shanxi's industrial output has made great strides. In the first half of this year, the gross value of industrial output added up to 8.97 billion yuan, equivalent to 50.6 percent of the planned target of the year and up by 10.4 percent over that of the same period last year. According to the figures released, the value of heavy industrial output gained 5,789 billion yuan, up 11.1 percent over that of the same period last year. On the other hand, the value of light industrial output gained 2.308 billion yuan, up 8.7 percent over that of the same period last year. Of 100 categories of planned major products, 65 categories reached or surpassed half of the annual plan. From January to May, industrial enterprises within the framework of the local budgets paid a profit tax of 828 million yuan, up 15.4 percent over the same period last year. These enterprises also surrendered to the state profits amounting to 382 million yuan, up 17.9 percent over the same period last year. The gross value of similar industrial output gained 3.321 billion yuan, up 8.7 percent over that of the same period last year. The simultaneous growth of output value, profit tax and the amount of profits surrendered to the state was therefore achieved.

Shanxi's impressive industrial output in the first half of this year was mainly due to these factors: first, serious attention was paid to the implementation of the guidelines for economic reform. In accordance with Shanxi's specific conditions, the provincial government laid down a 10-point decision allowing industrial enterprises greater latitude and initiative in their business operations. Second, the leading groups were reorganized in accordance with the requirements of the four modernizations by employing a large number of competent scientists and technicians and placing them in responsible posts in enterprises. According to the statistics of the first 5 months of this year, altogether 333 industrial enterprises in Shanxi had been completely reorganized and approved at the budgetary level, a gain of 106 over that of last year. Third, there was evidence of significant improvement in enterprise management at all levels. In particular, most enterprises were motivated to pay more

attention to operation and management, instead of going all out with production while neglecting management. As a result of boldly applying innovative measures such as advocating the economic responsibility system within the enterprises and eliminating the mentality of "sharing the big pot of rice," the enterprises gradually succeeded in transforming their mode of operation and in enabling the workers to link their own interests closely with those of the enterprise in order to raise substantially their activism for production.

Although the prospects for Shanxi's output growth are fine, the province faces a host of problems, mainly those concerning the shortages of certain raw and semifinished materials. These have affected the accelerated development of production and hindered the marketability of some light industrial and textile products. The accumulation of inventories has prolonged the capital freeze and thus has caused a recurring vicious cycle at the production level. Inevitably, when the consumption of some products rises, their costs will rise too.

12661

CSO: 4006/692

INDUSTRY

CHINA'S STEEL OUTPUT RATED FOURTH IN THE WORLD

Beijing GONGREN RIBAO in Chinese 21 Jul 84 p 1

[Article: "China's Steel Output Is Elevated to Fourth Place in the World"]

[Text] Among all the steel-producing countries in the world, China has raised its steel output from 26th place before liberation to 4th place today. The statistics show that China's steel output in 1983 was 40.2 million tons, equivalent to more than five times the total that old China had produced in more than 50 years.

A country with an ancient civilization which had mastered the steel-smelting technique long ago, China was the pioneer in using cast iron and in smelting pig iron into steel. It had attained a fairly high skill in smelting iron and steel and treating forging heat as early as the Han Dynasty and had in addition created the "pouring steel device" during the Northern and Southern Dynasties. China had been the world's leader in iron and steel output for a long time. However, the iron and steel industry of the semi-colonial, semi-feudal old China was quite backward because its development was slow, its scope small, its positioning abnormal and its output low. During the 50-year period from 1898 to 1948, the old China had produced an accumulated total of 7.6 million tons of steel, which was 147 tons less than the 1-year steel output of the U.S. in 1898. In 1949, the whole country of China put out only 158,000 tons of steel.

After the founding of the new China, iron and steel workers under the CPC's leadership began large-scale capital construction through self-reliance and hard struggle. Following the example set by Meng Tai [1322 3141], an old worker of the Anshan Iron and Steel Company, staffers and workers of the iron and steel industry throughout China launched a vigorous mass campaign for presenting equipment to the state. They repaired their production facilities and carried out a transformation of their techniques and, as a result, rapidly resumed the production of iron and steel. With this development as the basis, the Central Committee put forward the slogan of "the whole nation supporting the Anshan Iron and Steel Company" and got off to a good start of extensively building the iron and steel front. Then, it restructured and expanded a group of old enterprises one after another and established new ones, such as the Wuhan Iron and Steel Company, the Baotou Iron and Steel Company and the Panzhihua Iron and Steel Company. The Shanghai Baoshan Iron

and Steel Plant, the largest in the scale of construction since the founding of the People's Republic, was also under construction. In 1983, the number of iron and steel enterprises had reached more than 1,200. After a struggle of 35 years, China's iron and steel industry has grown from small to big and has formed a system featuring Chinese characteristics; a combination of large, medium-size and small enterprises; rational positioning; and a comprehensive annual productive capacity of 40 million tons of steel.

Since 1952, steel output has been increasing at an annual average of 11.6 percent. From 1949 to 1983, China's accumulative total of steel output is 550 million tons, of pig iron 580 million tons and of finished steel products 390 million tons. The positioning of iron and steel plants and mines has become more rational. In the old China, 80-90 percent of its iron and steel output was concentrated in the country's northeastern corner, but in 1983 the proportion of iron and steel output in all areas of China dropped to 25.5 percent in the northeastern area and was raised by 12.5 percent in the northwestern and southwestern areas. During the early post-liberation period, the industry could smelt only about 100 types of steel and rolled steel products to about 400 specifications and was unable to produce other variety of goods, such as steel plates for automobiles and seamless steel tubes. Now, we can produce over 1,000 types of steel, including alloy steel and precision alloy, and rolled steel products to more than 20,000 specifications. The quality of steel has been improved significantly, and the proportion of the goods made of steel in short supply such as plates, tubes and belts has been raised from 12.3 percent in 1952 to 36.2 percent. In 1983, the proportion of alloy steel reached 7 percent and that of low alloy steel to 11.5 percent, and the economic results of the iron and steel industry also saw a fairly big improvement. The profit and tax produced by the iron and steel industry was only 1,000 yuan in 1949, but it soared to 9.43 billion yuan in 1983.

12730

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INDUSTRY

BRIEFS

LIANONING INDUSTRIAL RESULTS UP--The broad masses of staff members and workers on our province's industrial front overcame the high summer temperatures and the difficulties of urgent shortages of energy resources and raw and processed materials and thoroughly reformed, enabling both industrial production and economic results to make brilliant achievements in July. The total industrial output value increased 12.1 percent over the same period last year; the total for January to July fulfilled 60.3 percent of the total annual plan, an increase of 10.5 percent over the same period last year, reversing the situation of 4 successive months of decreases in the total rate of increase. Total profits turned over to the higher authorities by budgeted enterprises throughout the province for January to July increased 13 percent over the same period last year, 2.5 percent more than the total industrial output value rate of increase. Although our province's first 7 months of industrial production made great accomplishments, the rate of increase was lower than the average levels throughout the country, heavy industry's rate of increase in particular was quite slow and that of 70 percent of 37 major products was lower than the average-increase levels throughout the country. [Text] [Shenyang LIAONING RIBAO in Chinese 10 Aug 84 p 1] 12267

CSO: 4006/728

CONSTRUCTION

INNOVATIVE CONSTRUCTION MATERIAL BASES BUILT

OW151255 Beijing Domestic Service in Mandarin 1200 GMT 13 Dec 84

[Text] China has basically built nine bases for manufacturing innovative construction materials. This encouraging situation signifies a vigorous development in China's innovative materials industry. Data released by relevant departments show that with 90 percent of the total investment completed, the nine bases--set up respectively in Beijing, Harbin, Shenyang, Wuhan, Chongqing, Suzhou, Wuxi, Shijiazhuang, and Hengyang--are capable of producing enough materials to build 1.1 million square meters of floor space. Currently, their thistle-board production capacity is 32 million square meters, enough for 10 million square meters of buildings of various kinds. Their aerated concrete production capacity is 920,000 square meters, enough for 3 or 5 million square meters of construction area. The trend of development points to a considerable future increase in production capacity.

Many localities in the nation are actively developing the innovative construction materials industry. Between 1978 and 1983, a total of 1.31 million square meters of floor space had been built with these construction materials. The physical quality of the buildings has improved greatly. Technical problems causing heat, cracks, and leaks have been resolved. The superiority of houses built with innovative materials is clearer.

China's innovative construction materials industry still faces a number of problems. The main problem is speed, which needs to be further accelerated. In some localities, production qualities are poor, products are unable to meet construction needs, and the economic results are unsatisfactory. Recently, departments concerned studied the problems and made initial plans for developing innovative construction materials industry in the next 6 years.

CSO: 4006/189

DOMESTIC TRADE

ON RELATIONSHIP BETWEEN PRICING POLICY, COMMODITY RESOURCES

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese
No 4, 20 Jul 84 pp 22-23

[Article by Tu Wanzhen [3205 8001 3791]]

[Text] If resources are categorized by commodity, they can be divided into commodity resources and non-commodity resources; if categorized by source of supply, they can be divided into natural resources and commodity resources created by reproduction; and if categorized by reproduction, they can be divided into production material resources needed by first-category and second-category production and into livelihood resources for second-category production. This article is only a preliminary investigation of the relationship between the development and utilization of commodity natural resources based on their source of supply and relevant pricing policies.

From the standpoint of those that have already been developed and used, they are the major commodity resource categories of animal, vegetable and mineral. The distribution of the reserves of these natural resources is restricted by factors such as geological environment, climate, etc., and consequently there are great differences in the commodity quantities. Aside from restrictions based on objective factors, the quantity of the commodity is also limited by factors such as the extent of development, communications and transportation, social and economic development, etc., and so the amount of commodity resources is often smaller than the amount of natural resource reserves. And yet, no matter what the amount of the natural resource reserve deposit, when compared to the constantly increasing social needs, in the end it is limited, as are the resources that at present seem to have large reserves.

Along with the development of the socialist economy and advances in science and technology in the more than 30 years since the establishment of the People's Republic, the people's standard of living has risen constantly, and their demands have increased daily, thus promoting more extensive advances in the development and utilization of natural resources. For example, we ourselves are now already able to mine and smelt certain valuable raw materials that we had to import for a long period in the past, and the more than 1,000 kinds of medicinal materials have now grown to more than 4,000 kinds. Our sole energy resource, coal, has now developed into fuel oil, natural gas, wind energy, solar energy and nuclear energy, etc.

However, because an incomplete understanding that was handed down for a long time in the past that held that China was a vast land with abundant resources which could be extracted without end and never be used up, we lacked effective management of the rational development, full utilization and economic consumption of resources, and in particular, we never gave adequate attention to the question of how to use economic methods to manage resources, thus causing tremendous waste in resource utilization. At present, China's rate of effective utilization of energy is only 20-30 percent in advanced enterprises, while in Japan it has reached 50-60 percent and above. If our utilization rate were to reach 40 percent, we could save more than 100 million tons of standard coal. Our industrial water consumption is 5 to 10 times higher than that of the economically advanced nations. Our recovery rate for extracting mineral products is low and we lack the capacity for comprehensive utilization. For example, the recovery rate for tin ore dressing is only 60 percent, with a loss rate of 30-35 percent. Because in recent years we have adopted improper economic policies such as blind increases in prices for some resources, we have caused predatory development, indiscriminate cutting, excessive excavation and overhunting and overfishing; resources have been severely damaged; and not a few resources now face exhaustion. Take Yunnan's forests as an example. Right after the establishment of the People's Republic the vegetation cover rate was about 40 percent, but in 1981 it was only 24.9 percent. In 1955 the state purchased 1,900 jin of caterpillar fungus, but in 1975 it bought only 30 jin and in recent years it seems there has been none. In 1955 the state purchased 55,200 jin of fritillary bulbs, but in 1982 it purchased only 9,700 jin. Similar examples are too numerous to mention.

China is a socialist nation, and the socialist system determines that the nation's economic system be a planned economy based on the socialist ownership system. And in addition to the law of value, there are also basic economic laws that are specific to socialism and planning laws for developing the national economy in a planned way according to scale. Consequently, we emphasize doing things according to economic laws, and so we cannot only discuss the law of value but must stress overall balance. How to apply the concept of price to the management of resources is precisely what socialist economic law determines. Actual practice shows that correct price policies are effective means for leading people to implement national guiding principles and policies conscientiously for the protection, rational development, comprehensive utilization and conservation of resources.

Applying price policy promotes the rational development and economical use of resources and requires that we get a good handle on our work in the five following areas:

1. Do a good job in the general survey work of resources, clarify the situation with regard to resource distribution and the amount of reserves and balance the contradiction between production, supply and marketing in a planned way. Formulate different pricing policies in accordance with demand and possibilities. For example, there is now a big contradiction between the supply and demand of coal and the amount that has been developed cannot be doubled within a short period. Consequently, our policy toward the price of coal should be to encourage rational development, raise the utilization rate for the resource, reward conservation and raise prices in cases of

overconsumption. In regulating coal prices, we should consider the natural distribution of the resource, the difficulty of development, the distance from the transportation point and the quality of the coal. We should set the price according to quality and should also consider earnings differential. Or take the price policy for lumber. In accordance with China's special features of having few forest reserves and a low vegetation cover rate (China's rate is 12.7 percent while that of Finland, which has the highest vegetation cover rate in the world, is 71 percent) along with the present overcutting and multiple functions of our forests, we should carry out a guiding principle toward our forests that combines protection and utilization. Lumber prices should encourage the management and creation of forests, rational cutting, comprehensive use and limited consumption. In order to realize this goal, we should increase the difference between the purchase price and the marketing price of timber, rationally arrange a purchasing price and raise the sales price fairly broadly and thus levy a tax which would be used in forest management.

Formulating different price policies according to the condition of the resources does not refer only to mineral and forest products. Pricing policies and price management methods should be formulated for agricultural and sideline products and medicinal materials that are beneficial to their protection, rational development, conservation and utilization in accordance with the different conditions of these resources.

2. Formulate rational price parities and encourage the comprehensive utilization of resources. For example, coal has multiple functions as a source of energy and as a raw material in the chemical industry and a good many coking by-products are valuable raw materials for the chemical industry. But the recovery of these by-products demands a certain scientific and technological level, management level and operational technology, etc. To encourage raising the recovery rate of coking by-products then, we must rationally set the prices of these by-products, so that the materialized and live labor of recovering these by-products is compensated, and we should make the profits for them equal to or a bit higher than that of the primary product in order to encourage the enterprise to raise its technological level and thus raise the overall utilization rate of the resource.

3. Set different pricing policies in accordance with the contradictions between a commodity's supply and demand and its causes. The contradiction between supply and demand arises from differences between the amount of a commodity's supply and the amount of demand. There are many contradictions between supply and demand but generally there are three kinds: the first kind occurs when there are small resource reserves but a large demand creating a situation where the supply cannot meet the demand; the second kind occurs when there are large resource reserves, but few have been developed along with a large demand and so supply does not meet the demand; and the third kind occurs when too much has been developed and there is a short period when the supply is greater than the demand. Within these three situations, specific resources also have their own particular characteristics. For example, in the first situation, for resources for which there are few reserves and which cannot be artificially bred or cultivated, we should adopt pricing policies for protection of the

resource, rational development and limited consumption. For those which can be artificially bred or cultivated, we should formulate pricing policies that encourage artificial breeding and cultivation so that the income from breeding and cultivation is larger than that from finding and gathering the natural resources, in order to increase the amount of the commodity resource that can be supplied and to proceed toward a balance between supply and demand. For the second situation, we should formulate pricing policies that encourage rational development and promote economic use. For the third situation, we should appropriately lower the price, thus checking development and allowing the amount already developed to approach a balance with the demand. With regard to the contradiction between market supply and demand, we must not blindly raise and lower prices without additional analysis. Actual practice shows that doing so causes a lot of damage and waste of resources. Many of the contradictions between supply and demand cannot be solved simply by raising prices. Raising prices not only cannot promote faster propagation of natural resources but often produces just the opposite result. The higher the price, the faster the exhaustion of the resource.

4. Correctly formulate prices for substitute products and encourage the development of substitute products. With the advance of science and technology, many natural resource products can now be substituted and we should study the rational price parities for substitutes and natural resource products, encourage the use of substitutes and save natural resources. Take lumber and steel, tempered plastic and cement products for example. These products serve common functions in many areas of use and can be interchanged. From a macroscopic point of view, the social benefits of using steel, plastic and cement products are higher than those of lumber, yet because the price of lumber is less expensive than that of steel, plastic and cement products, objectively it results in limiting the use of substitute products. Because the price parities of substitute products are not rational, the development and extended use of substitute products has been checked and the phenomenon of wasted natural resources has frequently appeared.

5. Practice the combined price policies of rewarding the saving of resources and the reduction of the waste of resources. In all cases we must encourage savings and restrict the consumption of natural resources, and prices should act as a source of pressure on and as a motivation for the user, that is, they should make the enterprise feel a sense of urgency about conserving resources. Under conditions in which many raw material prices tend to be low for a short period and cannot be rationally set, we must energetically carry forward a reward price for saving resources and a punitive price for wasting resources. For example, this method can be adopted for water, electricity, coal and oil.

12452

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DOMESTIC TRADE

RAPID GROWTH OF SICHUAN'S FOOD PRODUCTION INDUSTRY REPORTED

Chengdu SICHUAN RIBAO in Chinese 5 Aug 84 p 2

[Article by correspondent: "Sichuan's Enterprise-operated Food Production Industry Developing Rapidly"]

[Text] Sichuan's enterprise-operated industry, with the stress on the food production industry, has been developing very rapidly. Comparing 1983 with 1978, its output value was more than doubled, its enterprise profit has increased and its taxes and profits handed over to the state were upped nearly two times. Between the first half of 1983 and that of this year, its output value underwent a 7.41 percent hike and its enterprise profit jumped by 34.66 percent, with a fairly big increase in the taxes and profits handed over to the state. At present, not only can all kinds of its products basically guarantee to meet the demand of the markets in this province, but many of them are sold to other provinces and are renowned for being good in quality and low in price. Wines and meat products, in particular, have nationwide reputations as hot-selling goods from Sichuan.

This province has abundant raw materials for the food production industry and has a technological preponderance in traditional food.

Since the 3d Plenary Session of the 11th Party Central Committee, a vast number of cadres, staffers and workers of the enterprise-operated food production industry front have conscientiously implemented the central policy of "readjusting, restructuring, consolidating and improving" for the sake of giving full play to the preponderance of this province. Under such conditions where factory buildings are small, facilities old, technology backward and funds and techniques seriously insufficient, they have set about improving the quality of their products and their economic results as the core of their work of arduously starting the industry, diligently expanding it and rapidly developing its production. As a result, they have opened up a new prospect for the enterprise-operated food production industry of this province. In 1983, the provincial enterprise system under the Industry and Commerce Bureau realized an output value in the amount of 3.1-plus billion yuan with the enterprise-operated industry, mainly the food production industry, which was more than twice that of 1978 and 50 percent of the total output value of the food production industry in the whole province of Sichuan. At the same time, the enterprise-operated food production industry has constantly improved the quality of its products and added more designs and varieties. In the

national contest of the quality evaluation of industrial products, it won 3 national gold awards, 1 national silver award, 37 Ministry of Commerce quality product awards and 30 Sichuan Province quality product awards. Four of the top 10 wines in the nation evaluated in all previous contests of wine evaluation are from Sichuan. Of the 34 quality wines evaluated in the 1984 contest of wine evaluation sponsored by the Ministry of Commerce, Sichuan produces 22 and tops the national list. Over 20 types of food made of meat, candies and cakes as well as brewed condiments from this province were also evaluated in 1984 to be national-quality food products.

The rapid transformation of the achievements made in science and technology by Sichuan's enterprise-operated industry into a new production force is an important cause of the fast growth of production in this province. According to incomplete statistics, since the 3d Plenary Session of the 11th Party Central Committee, the enterprise-operated industry of this province has made over 110 vital achievements in science and technology, of which 64 have won awards for vital achievement in science and technology granted by the Ministry of Commerce and Sichuan provincial authorities. For example, the Qionglai Winery has succeeded in the study of a new technology to improve the quality of Daqu, a wine rich in fragrance. As it can raise the rate of wine quality from 10 percent to 45 percent, this technology has produced significant economic results after being widely promoted. The Fuling City Winery extracts natural red food coloring from red-heart turnips, a local vegetable, which has been proven to have more advantages than the chemical food coloring currently in use. This achievement has won support from the Ministry of Commerce, which has appropriated a special fund to conduct further scientific studies on it and expand production.

12730

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DOMESTIC TRADE

INTEGRATION OF ENTERPRISES AS KEY TO CONSTRUCTION OF ECONOMIC REGIONS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 8,
20 Aug 84 pp 11-14

[Article by Zhou Jizhi [6650 4480 2535] of the Economic Research Institute of the Hunan Academy of Social Sciences: "We Must Consider the Restructuring of the Circulation System as a Breakthrough Point in the Construction of the Economic Regions"]

[Text] Giving play to the role of key cities as economic centers, using key cities as a support gradually to form different economic region cities with distinctive characteristics and thereby eliminating the creation of barriers between higher and lower levels and realizing a link between the higher and lower levels are important policy decisions in the restructuring of China's economic system. What should we first comprehend in the construction of the economic regions? Some comrades feel that we must first comprehend the unification and reorganization of enterprises, and according to the principle of specialized cooperation, we must organize a number of integrated organizations within the economic regions and raise the level of the organization of production and the level of socialization. There are also comrades who feel that we must first perceive the rational distribution of productive forces and carry out a rational distribution of labor between cities in the economic regions according to their respective conditions. We can thereby avoid the duplication of production and emphasize construction and we can develop and utilize our natural resources in an economically rational manner. This work in the construction of the economic regions is absolutely essential, otherwise we cannot break through the barriers of administrative divisions. In giving full play to the superiorities of economic region cities, we lose the significance in running the economic regions. But we must first comprehend that the restructuring of the circulation system is regarded as a breakthrough point. This is because:

First, in the restructuring of the commercial circulation system, the initial steps are delayed, there is a large amount of duplication, there are numerous problems and it desperately needs to be thoroughly implemented. China's commercial circulation system has been taking shape and developing for a long time under the circumstance of supply not meeting demand. We must have centralized procurement and contracted sales, distribution and allotment and independent management. Since the 3d Plenum of the 11th CP Central Committee, with the widespread promotion and the progressively thoroughgoing agricultural

production responsibility system and expanded enterprise autonomy, with the fairly rapid advancement of the restructuring of the industrial and agricultural material production departments and with the rapid development of industrial and agricultural production, the people's livelihood has also greatly improved, a fundamental change has taken place in our domestic market and the market is undergoing a transformation from a sellers' market to a buyers' market. Further, we have also carried out a series of reforms in our commodity circulation system even though it is under the ideological guidance of "the planned economy as primary and market readjustment as secondary." For example, we have expanded the autonomy of the management and administration of a number of retail commercial establishments, have developed collective and individual commerce, have promoted a commercial management responsibility system and have relaxed the prices of a few commodities. Yet because our thinking is not liberated enough, "leftist" ideology has not yet been thoroughly eliminated, the obstacles encountered in restructuring are great and the setbacks are fairly numerous. For instance, in May 1983, the commercial management responsibility system, which used contracts as its primary form, ceased to be promoted because it was opposed by a few certain people. By the end of the year, the rewards and punishments were not being honored and the enthusiasm of the commercial workers was thwarted. At the end of 1983, the system of buying and selling vegetables in the city was also at a standstill because it was reproached by a few people, and some cities even backtracked, with the result that the development of the restructuring of the commercial system was delayed. Up until today we have not achieved any significant breakthroughs, especially with regard to the restructuring of the commercial wholesale system, formed over a long period of time, which has basically gone nowhere, thereby creating contradictions between production and circulation, such as the contradictions between industry and commerce, agriculture and commerce, commerce and commerce, etc. This has caused a situation whereby the existing commercial circulation system is not at all suited to the development of our industrial and agricultural production as well as the changes in our commodity market, and is especially unsuited to the new situation of the large-scale development of our rural commodity production. The old problems have not been thoroughly solved; for instance, the "difficulties in buying vegetables" confronting urban residents still exists and new problems are continually occurring. For example, in Hunan and many southern villages there are "difficulties in buying sugar," "difficulties in buying tea," etc. Obstructed circulation has created important contradictions in our present economic work, and it is urgent that we take away the obstacles and stimulate circulation.

"Commerce is dependent on the development of the cities, and the development of cities also must use commerce as a condition. This is self-evident." ("Capital," vol 3, p 371) The construction of the economic regions truly gives full play to the role of cities as economic centers, overcomes barriers between higher and lower levels, realizes a linking of the higher and lower levels, effectively controls the economy and further raises macroeconomic results. First of all, economic centers must be commercial trade centers: this is also self-evident. We need only consider the restructuring of the commercial circulation system to be a breakthrough point in the construction of the economic regions, first of all to comprehend this, to break through the different barriers of administrative regional planning in the realm of circulation and break through regional blockades in order to be able to give

full play to the role of key cities as economic centers and then to be able to realize gradually the basic goal of constructing economic regions.

Second, compared to organizing the unification and reorganization of industrial enterprises, the restructuring of the commercial circulation system is a bit more difficult and the macroeconomic results that can be achieved can be a little greater. According to the principle of specialized cooperation, both within and outside of the economic regions, choosing a few banks and enterprises that must be integrated and that can be integrated, employing many different forms and combining them so that we can break through the boundaries of different systems of ownership, break through departmental and regional barriers, overcome the maladies of large and complete and small and complete and raise social economic results are tasks that we must fully comprehend in constructing the economic regions. Yet we must possess fairly ripe conditions for the reshuffling and unifying of organic enterprises. Based on our past experiences, we must at least possess the following three conditions: first, we must select a target for unifying according to the enterprises' internal relations of products and technology or supply, production and marketing and according to the strengths and weaknesses of technology, labor, equipment and sites. Second, we must compel different enterprises to recognize correctly their own strengths and weaknesses, clearly understand the advantages of unifying, produce the requirements for unifying and uphold the principles of voluntary participation and mutual benefit. Third, we must correctly solve the relationships of material benefits both within and between the enterprises and truly achieve mutual aid and mutual benefits.

Further, we must create these conditions, and we must make many investigative studies, select the targets for unifying, carry out a great deal of arduous and meticulous work and correctly handle the material-benefits relationships between enterprises. In addition, we must give enterprises a certain motive force and pressure, compel enterprises to recognize their own strengths and weaknesses, see the advantages in unifying and engender a strong desire for unifying. We must also overcome the numerous obstacles that come from higher and lower levels. We must create these conditions, and it will be difficult under the circumstances of the financial system to adopt the principle of "splitting the kitchen to eat food" and of the close economic relationship still existing between different enterprises and different administrative units. It will be difficult under the circumstances of work in the substitution of tax payment for profit delivery not to have yet been comprehensively launched, of socialist competition not to have been truly developed, of an insufficient motive force within the enterprises and of weak pressure from the outside. The unripe conditions and the reluctance to unify are detrimental to the development of production, and unifying and then breaking up will create undeserved economic losses.

We must restructure the circulation system, and we must especially restructure the commercial wholesale system. For example, rationally adjusting and setting up a commercial wholesale organizational structure and appropriately changing the leadership relationships of different wholesale units can give full play to the various functions of commercial wholesale organizations, especially the information function, and in many respects can provide service for production and circulation. Even though we need a few conditions, such as having to extend

state-run commercial outlets to key market towns in the countryside, we almost must increase the personnel, equipment and locations; in realizing jointly run state and cooperative enterprises and jointly run industry and agriculture, we must also correctly handle their mutual material-benefits relationships; and in rationally adjusting and setting up commercial retail organizations, we must also increase the corresponding capability for storage and transportation, etc. All this requires a certain quantity of financial and material resources. It will certainly be difficult to realize all this immediately in a situation where China currently does not possess plentiful financial resources. However, the substance of the restructuring of the commercial circulation system is great and the substance of the restructuring of the commercial wholesale system is also vast. In complete accord with the principle of acting according to our own capabilities, we can first comprehend those restructuring projects that do not use a great deal of money and that can get things done. For example, we must give play to our strong points of the broad connections of our commercial wholesale organization and our up-to-date information, establish commodity information centers within the economic regions and serve the production and circulation of the economic regions; we must merge certain commercial wholesale organizations at different levels that have been established in the same city and that have identical business scopes and must reduce links in circulation; and we must appropriately change the leadership relationships of certain wholesale commercial organizations, break through regional barriers, give play to the role of key cities, link up the cross-relations between different regions, cause commodity circulation to be economically more rational, etc. We must get a handle on a few restructuring projects that expend few funds and that can handle work. For instance, we must use the existing personnel, locations and equipment of supply and marketing cooperatives, use the funds, labor and sites that the peasants have in hand and use the method of jointly run state enterprises and cooperatives and jointly run agriculture and commerce to extend wholesale outlets for industrial products to key market towns in the countryside and to bring wholesale trade centers of agricultural produce and sideline products into the key cities; we must encourage peasants to engage in trade and raise funds to build a few commercial storage and transportation facilities; and we must gradually and rationally adjust commercial wholesale organizations, use key cities as a support, gradually establish a circulation network between the city and the countryside that is open and economically rational and cause the economic regions to begin first to unify in the field of circulation, etc. Although we may meet with some difficulties in carrying out a restructuring in this way, yet because the restructuring basically is carried out within commercial departments, the situation of horizontal barriers does not seem to be as serious as in the industrial departments and the problem of changing the subordinate relationships of big departments basically does not exist. Thus, the difficulty of unifying is much smaller than in industrial enterprises, and it is also comparatively simpler to handle mutual relations. In carrying out a restructuring in this way, due to the limitations of objective and subjective conditions, it is difficult to avoid the appearance of this or that type of problem in certain respects or in certain links. Yet in the process of the restructuring of the commercial circulation system, there are few problems related to abolishing and merging organizations, taking away equipment and transferring personnel, and there are also few problems in cutting across departments and cutting across industries. Thus, compared to the unifying and reshuffling of the organization of industrial enterprises, for fewer risks are

taken in the restructuring of the commercial circulation system. Moreover, because circulation is the link and bridge that connects production with production, production with consumption and the city with the countryside, as soon as circulation is stimulated the entire economic situation is likewise stimulated. Thus, the macroeconomic results that can be brought about from the restructuring of the circulation system must be far greater than the macroeconomic results that can be achieved by reshuffling and unifying a few industrial enterprises.

Third, restructuring the commercial circulation system can involve a lighter work load and can yield greater short-term results compared to carrying out the rational division of labor between cities and the rational distribution of productive forces. Carrying out an appropriate division of labor between each city in the economic regions according to their respective conditions causes an even more rational distribution of productive forces and is also an important component in the construction of the economic regions. If we do not comprehend this matter, different economic regions will then be unable to possess their own distinctive characteristics. Yet, truly realizing a rational distribution of productive forces is not a very easy matter and is not something that can be completed in a short period of time. Not only does it require that we organize our strengths to carry out a large number of investigative studies and that we fully comprehend the general concept of the rational distribution of productive forces according to the natural resources, capabilities, history and current situation of each area but it also requires that according to this concept, we carry out an appropriate readjustment and transfer between enterprises with different subordinate administrative relationships. When we plan future new construction, expansion and rebuilding, we must also consider the division of labor of each city, as well as the overall situation of nationwide and regional productive forces, and so promote the gradual realization of the general concept. This is extremely difficult considering that we are currently "dividing the kitchen to eat" financially and considering that each region and department depend on production enterprises for their income. Thus, we need a fairly long period of time to be able gradually to realize this, and the results in the near future will not be very tangible.

For example, in the restructuring of the commercial circulation system, in order to give play to the role of key cities, we must unify the leadership in the commercial wholesale organizations in the economic regions and in the largest key cities in the economic regions. In order to give play to the many functions of wholesale commerce, we must establish a unified commodity information center in the economic regions and provide service for production and circulation. In order to reduce circulation links and make commodities circulate in an economically more rational manner, we must appropriately readjust the wholesaling of industrial products at their places of production and change wholesale organizations in the economic regions according to the production composition and communications situation of each city; and we must extend the method of joint operation to wholesale outlets, etc. Although this must also be related to the problem of the distribution of profits between each area and between each city, it nevertheless is basically categorized as a matter of commercial departments at all levels, and it can be much less difficult compared to the restructuring of the production enterprises. Yet because China's

circulation is still pretty much obstructed, the tasks of clearing up circulation channels, reducing circulation links, accelerating the turnover of commodities and saving circulation expenses can be quickly reflected in the economic results.

Fourth, China's experience in restructuring its economic system has made clear that once we get a handle on the restructuring of the circulation system, we can then promote further restructuring in the realm of distribution and production. Since the 3d Plenum of the 11th CPC Central Committee, the restructuring of China's economic system, with regard to cities, has basically developed simultaneously with respect to production, circulation and distribution. With regard to production, based on the needs of large-scale socialized production and according to the principles of expanding the division of labor and strengthening cooperation, reorganization and unification are mainly being carried out in a few enterprises. With regard to distribution, we are mainly "dividing the kitchen to eat" financially, we are allowing enterprises to retain profits and we are expanding the autonomy of the management and administration of enterprises and carrying out the initial step of the substitution of tax payments for profit delivery. With regard to circulation, we are mainly carrying out the principle of the planned economy as primary and market adjustment as secondary, reducing circulation links, expanding circulation channels, etc. Experience has made clear that not only has this restructuring been successful, promoted the readjustment of the national economy and improved economic results, but it has also been mutually effective and mutually promoting. It is extremely difficult to reorganize and unify enterprises. Yet the greater autonomy of enterprises can cause enterprises to have a driving force from within and, giving play to the role of market adjustment and the appearance of socialist competition, can also give enterprises increased pressure from the outside and can cause enterprises to possess a certain vitality. Thus, this can also cause those enterprises that need to be reorganized and unified to recognize correctly the advantages in carrying out a specialized reorganization, to produce the aspirations required for unifying and to promote the reorganization and unification of enterprises. Experience has proven to us that a restructuring in the field of circulation will spur and promote restructuring in the fields of production and distribution and can cause the restructuring to be carried out more smoothly. If we promote the unification of enterprises through opening up competition, we will always be able to select and approve a target for unifying and support the policies of voluntary participation and mutual benefit. This type of integrated body can usually be considered and can achieve fairly good economic results.

The following type of situation arose in Hunan Province in the course of restructuring its urban industrial economic system. Some cities used the method of administrative decrees to get a handle on the reorganization and unification of enterprises. They rode the wave of the nationwide reorganization and unification of enterprises, and they rushed headlong into mass action when conditions were not yet ripe, engaged in a "drawing together and mismatching" and established many specialized companies or joint companies. Many contradictions occurred after they could not do this; they had to withdraw, some targets were not selected and approved, they were forced to shut down and break up and they whittled away production time and created undeserved economic losses.

Some cities did not uphold the principles of voluntary participation and mutual benefits, seemed to be in harmony but were actually at variance, wrangled back and forth in their work and could only act inattentively, and so the companies existed in name only. Some cities do not competently handle interrelationships, contradictions among the people pile up on top of each other, it is difficult for them to advance or retreat, there is no way to back down and they are now holding preliminary discussions about disbanding. Some cities like Changde are different: according to the appeal raised by the 3d Plenum of the 11th CPC Central Committee to "put emphasis on giving play to the role of the law of value," they first got a handle on construction in the realm of circulation, vigorously gave play to the role of market adjustment and through market competition aroused the reorganization and unification of enterprises. Not only did they stimulate circulation and the entire economy, but they also promoted restructuring in the realm of production, and as a result, the unification and reorganization of industrial enterprises also proceeded quite smoothly. From 1979 to 1980, in accordance with the principle of "establish one for every one that is ripe," they successively established 7 specialized joint companies in such areas as plastics, textiles and leather; 72 factories, or 62 percent of all industrial enterprises subordinate to the city, participated in the joint venture. Because these companies unify under the impetus of competition, the targets they choose are approved, they uphold the principles of voluntary participation and mutual benefits, after they are unified they are quickly able to cooperate and carry out the specialized division of labor and the superiorities of unifying can be given full play. Therefore, with the passage of time, the seven companies can consolidate and develop and achieve fairly good economic results. Compared to 1979, in 1980, after the companies were established, the total output value increased 22.22 percent and profits increased 38 percent--the highest levels ever. Of these companies, in the seven companies that were established with the impetus of competition, output value increased 27.4 percent and profits increased 69.74 percent, and the average increase was higher than the average citywide level. In the past few years, the economic results from Changde's industrial production have been among the best in the entire province.

Using key cities as a support and gradually forming economic regions that are interrelated and that possess their own special flavor are major items in the restructuring of China's economic system. Thus, in the process of planning and constructing each economic region, we cannot help carrying out a multifaceted restructuring. Further, in carrying out a restructuring, it is most necessary that we first seize upon a project with a fairly low degree of difficulty in which the desired results are produced quickly and which has the greatest effect on the entire situation. Using this as a breach for starting work, from the easy to the difficult we must gradually get into the work, and then we can achieve fairly good objective economic results. This will cause us gradually to become more deeply involved in the construction of the economic regions. Carrying out a restructuring of the commercial circulation system as well as unifying and reorganizing enterprises are less difficult and yield quicker results than realizing a readjustment and rational distribution of productive forces, and are also superior in numerous ways such as being able to stimulate the entire situation. Thus, it is appropriate to consider the restructuring of the circulation system, especially the commercial circulation system, as a breakthrough point in the construction of the economic regions.

DOMESTIC TRADE

PREFECTURE IN SHANXI DEVELOPS THRIVING TRADE

Taiyuan SHANXI RIBAO in Chinese 14 Jul 84 p 1

[Article: "Trade Thrives in Jindongnan Prefecture, Shanxi"]

[Text] By fully utilizing available local resources and actively bringing in outside capital, technology and qualified personnel, Jindongnan Prefecture in Shanxi has successfully promoted the development of the commodity economy throughout the area. Since early this year, over 100 neighborhood units have established long-term and mutually beneficial economic and trade relations. They have brought in from other provinces funds totaling over 43 million yuan and more than 600 sets of advanced technologies, in addition to engaging over 6,000 talented personnel and specialists.

Jindongnan Prefecture is known for its rich coal and iron deposits, estimated to contain 192.5 billion tons of coal and 910 million tons of iron. To open up and tap these abundant deposits, an economic development company was set up early this year under the guidance of the CPC prefectural committee. An economic and technical cooperation group was also formed to negotiate with similar groups in various parts of the country for the development of such cooperation. Six cities and counties in Jindongnan Prefecture, which had made full use of local coal and iron resources, signed contracts with cities in other provinces for 160,000 tons of cast iron, besides bringing in compensation funds amounting to 9.8 million yuan, totaling over 50 million yuan in transactions. By using foreign capital to set up ironworks alone, the per-capita income could go up by over 40 yuan.

Making use of local resources to bring in capital, technology and qualified personnel from other areas also contributes to the economic development of the prefecture, which lacks underground deposits. For example, although Xing County is short of such resources, it has 7,600 mu of fish ponds. In the past these ponds yielded about 10 jin of fish. After signing a contract this year with Wuxi in Jiangsu Province for technical cooperation and a free supply of fingerlings for 3,000 mu of fish ponds, the per-mu yield of fish is expected to be 50 jin. On the other hand, Wuxi also agreed to help Xing County raise the total output of marketable fish to over 60,000 jin within 3 to 5 years.

Jindongnan's abundant natural resources have attracted the attention of relevant quarters throughout the country. At present, a number of areas have sent groups to the prefecture for talks. They are also prepared to enter into joint ventures or consider other forms of compensatory, cooperative or contractual undertakings to explore Jindongnan's underground resources.

12661

CSO: 4006/692

DOMESTIC TRADE

RULES ON RURAL INDIVIDUAL INDUSTRIAL-COMMERCIAL HOUSEHOLDS DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 11 Sep 84 p 4

[Article: "Questions and Answers on Rural Individual Industrial and Commercial Enterprises by Readers and the Editor (2)"]

[Text] Question: What are the rights enjoyed by the rural individual industrial and commercial households?

Answer: (1) The legitimate rights and interests of the rural individual industrial and commercial households are protected by the state, and if infringed upon, the households have the right to lodge complaints with the local or people's government at a higher level, or bring a suit to the people's court according to law.

(2) The business licenses received by the rural individual industrial and commercial households are legal certificates issued by the industrial and commercial administrative organs authorized by the state; with the exception of the industrial and commercial administrative organs, no other units or individuals have the right to take away and turn over or revoke these licenses whatsoever.

(3) Fees to be collected from rural individual industrial and commercial households must be administered by the industrial and commercial administrative organs as authorized. The people's governments at all levels should stop any collection of fees or the raising of fee-collection standards without authorization. Individual industrial and commercial households have the right to refuse payment or lodge complaints with the responsible organs.

No units or individuals may arbitrarily collect fees from or apportion expenses to those who transport goods for sale. Extorting money or things from those who transport goods for sale by using one's position and power should be strictly prohibited.

(4) As soon as approval is received, the rural individual industrial and commercial households may decide on the names of their shops, engrave business seals, open accounts and apply for loans in accordance with the rules of the banks or credit cooperatives.

(5) The rural individual industrial and commercial households may join the associations of individual laborers in their own counties or cities.

Question: What are the duties of the rural individual industrial and commercial households?

Answer: (1) The prices of commodities produced and managed by the rural individual industrial and commercial households and the standards of fee collection for services and repairs should be in accordance with the pertinent provisions of the commodity price control regulations promulgated by the State Council.

(2) The rural individual industrial and commercial households should pay taxes and fees in accordance with the state's laws and regulations and the stipulations of the provincial, municipal and autonomous region people's governments.

(3) The rural individual industrial and commercial households should abide by the state's policies, laws and decrees and they are not permitted to undermine the state's purchasing plan, destroy the state's mineral resources, cheat on and evade taxes, ride roughshod over others in the market, drive up prices, cheat on weights and measurements, adulterate goods, sell food items the production and sale of which are banned, buy and sell notes and certificates or use them to exchange for commodities, forge, lent out, alter or transfer business licenses or engage in other unlawful activities. Violators shall be dealt with in accordance with the regulations and laws of the state.

12662

CSO: 4006/44

DOMESTIC TRADE

XIZANG, QINGHAI SIGN ECONOMIC, TECHNOLOGICAL AGREEMENTS

HK111526 Lhasa Xizang Regional Service in Mandarin 1130 GMT 10 Dec 84

[Text] The Qinghai provincial economic and technological cooperation delegation left Lhasa for Qinghai on 10 December with agreements on more than 40 projects of economic and technological cooperation.

During its stay in the region, the Qinghai provincial economic and technological cooperation delegation, headed by Qinghai Vice Governor Jing Shengming, held several talks with responsible comrades of the relevant departments of Xizang on economic cooperation.

The two sides agreed that the economic and technological cooperation between Qinghai and Xizang should be carried out under the guidance of the state plan and meet the needs of the economic development in both areas. It must be carried out flexibly and in various forms according to economic laws and with the stress on economic results, so as to promote economic development in both areas.

According to the above principles, the two sides initially defined 40 projects of economic and technological cooperation between the two areas. Further negotiations will be held on seven other projects. These projects include technological cooperation in production and exploitation of natural resources, regional cooperation, capital construction, regular exchanges, and the cultivation of talented people.

Qinghai Province will help Xizang to build a freeze-dried semen bank to impart the skill of obtaining yak semen, to build a base for propagating peaches so as to provide fine peach seeds, to train road maintenance personnel and traffic supervision personnel in handling the Qinghai-Xizang highway and to take up the task for building, surveying, designing, and expanding some highways, and to provide Xizang with highland barley, wheat, salt, raw coal, and [words indistinct].

Xizang will provide Qinghai with Zang nationality medicines, wool, and [words indistinct], and will act as Qinghai's agent in exporting, [words indistinct] to Nepal. During the delegation's stay in Xizang, Yin Fatang, first secretary of the regional CPC committee; Dvojie Caidan, chairman of the regional people's government; Duoji Cairang, vice chairman of the regional people's government; and other regional party and government leaders went to where the delegation was staying to call on all members.

DOMESTIC TRADE

BRIEFS

BEIJING CONSUMER GOODS SALES--The sales volume of consumer goods is increasing rapidly in Beijing, as shown by November's turnover of over one billion yuan, or 32.9 percent more than in the same period of last year. The latest figures from the Beijing Statistics Bureau show that the total amount includes 330 million yuan spent on food, 230 million on clothes, and 380 million on daily necessities. Knitting wool and woolen blankets remain popular items: 1.35 billion kg of knitting wool was sold in November, 2.5 times more than in October, or 3.2 times more than in the same month last year. In the four biggest department stores in Beijing, 13,000 woolen blankets were sold, double the quantity of the same period of last year. Household appliances are also selling well. TV sets, tape recorders, electric fans, washing machines and refrigerators were selling like hot cakes in November. Some new products win favor immediately they are put on the market. Some 1,500 infra-red heaters were sold at the Dongsì Department Store, 15 percent more than in the same period last year, although they are quite expensive items. [Text] [Beijing XINHUA in English 0808 GMT 15 Dec 84]

BEIJING SALES OF COLOR TV'S--Beijing, December 5 (XINHUA)--Beijing residents will be able to make advance purchases of color television sets now, according to today's BEIJING DAILY. Orders will be taken by selected shops from consumers with registration cards distributed by the Municipal Commercial Bureau. Sixty percent of the retail price must be paid on registration, with the balance to be paid on delivery. Should the price fall before delivery, settlement will be made at the new price. The interest on the advance payment will be returned to the customer at the savings bank rate at the time of settling the account. The paper says advance sales of other consumer durables will be gradually introduced in the city. Output of consumer durables soared in the first ten months of this year, according to the Ministry of Commerce. The output of color televisions increased 160 percent to 941,900 units, washing machines, 50.7 percent to more than 4.5 million, refrigerators, 160 percent to more than 380,000 units, and electric fans, 66 percent to more than 14.3 million. But they are still far from meeting demand, the ministry said. [Text] [Beijing XINHUA in English 1140 GMT 5 Dec 84]

WUHAN GRAIN, OILS AND FOODSTUFFS TRADE CENTER INAUGURATED--The Wuhan Grain, Oils and Foodstuffs Trade Center was officially inaugurated today. The first large market in inland China for grain and oils, this trade center was established to liven up the circulation of grain and oils and solve such problems as "having difficulty in selling and buying grain and oils." It is funded by the Ministry of Commerce and comprises voluntary participants from all departments dealing with grain and oils throughout China. With Wuhan Municipality as its base, this trade center will link up areas in central China and cater to the entire country. It will break down boundaries set by central and local authorities and by areas and professions. Paying no regard to whether the area is in the south or in the north, whether the client is an official or a private citizen or whether the business is big or small, it will create positive conditions for trade for state-operated enterprises, collective owners, individuals and specialized households. [Text] [Article by Wang Chu [3769 2806] [Beijing RENMIN RIBAO in Chinese 6 Sep 84 p 1] 12730

FORESTRY PRODUCTS TRADE FAIR--The national forestry products trade fair opened in Hefei on 7 December. This is the largest trade fair ever held by China's forestry front. Participating in the trade fair are representatives of forestry department, village and township enterprises, commercial sectors, and light industrial departments of 28 provinces, municipalities, and autonomous regions, totalling more than 3,000 people. Wang Dianwen, vice minister of forestry, and Hou Yong, vice governor of Anhui Province, spoke at this morning's meeting. The trade fair will close on 12 December. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 7 Dec 84 OW]

GRAIN-OIL TRADE CENTER--In line with the principle of opening to the outside world and invigorating the domestic economy, the grain departments in the eight neighboring counties and cities of Guizhou, Yunnan, and the Guangxi Zhuang Autonomous Region recently set up a joint grain and oil trade center. They formed an economic entity to carry out joint operations extensively. The participants to the joint grain and oil trade center are Xingyi and Ceheng Counties in Guizhou Province, Funing and Guangnan Counties in Yunnan, and Xilin, Tianlin, and Longlin Counties and Bose City in the Guangxi Zhuang Autonomous Region. In line with the spirit of mutual help and benefit, the joint grain and oil trade center will promote cooperation between different departments and regions, give scope to its superiority, cater to the whole country, and unclog the circulation channels in the outlying mountain areas in order to facilitate the flow of goods in various localities. Owned by the state, the trade center practices independent accounting with sole responsibility for profits or losses. Advance payment for each share is 30,000 yuan and there is no limit on the number of shares subscribed. The interest on the money paid for the shares will be 10 percent higher than the bank interest rate and the profits are to be shared according to the number of shares held. The trade center was set up in Guangxi's Bose City. [Text] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 13 Dec 84]

SHAANXI ASSISTING XINJIANG TO DEVELOP ECONOMY--Shaanxi has so far signed 15 contracts with Xinjiang on economic and technical cooperation in the areas of construction materials and the textile industry, light industry and food production industry. When implemented, these contracts will play a positive role in advancing the construction of Xinjiang's economy. In order to help Xinjiang carry out the construction of its economy and join it in developing the great northwest of China, Shaanxi has displayed its style by pulling out key members from its technical force to support Xinjiang on a priority basis and by positively satisfying Xinjiang's requests in all areas. The Provincial People's Government of Shaanxi has even put forward the call of "three wants and three gives" to the scientific research departments and enterprises concerned, which means that Shaanxi will give personnel, techniques and materials to Xinjiang when it wants them. From the beginning of 1982 to now, Shaanxi has sent specially assigned technicians to Xinjiang many times. They took long trips to inspect cement plants and food production plants in Kashi, Kizil Su and Turpan and cotton textile mills in Shihezi and Changji and to assist them in renewing their designs and transforming their techniques. They have also trained a group of technical workers for plastics companies in Shihezi and other areas. [Text] [Report by Yao Taihe [1202 3141 0735]: "Shaanxi and Xinjiang Sign 15 Contracts on Economic and Technical Cooperation"] [Xi'an SHAANXI RIBAO in Chinese 12 Aug 84 p 1] 12730

CSO: 4006/765

FOREIGN TRADE AND INVESTMENT

SHANDONG'S PLANS FOR FOREIGN INVESTMENT REVEALED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 4, 27 Apr 84 pp 36-38

[Article by Yuan Chonghe [5913 1504 0678]: "How Shandong Will Utilize Foreign Investment; Interview with Zhang Fuzeng, Vice Chairman, Shandong Economic Committee"]

[Excerpts] This reporter recently interviewed Comrade Zhang Fuzens [1728 4395 1073], vice chairman of the Shandong Economic Committee, in charge of foreign trade. This veteran comrade, who has worked in foreign trade for many years, radiantly responded with satisfaction to questions posed by this reporter.

The interview proceeded and Vice Chairman Zhang enumerated the following projects in answering questions concerning Shandong's plans for the further utilization of foreign funds.

This year and next, Shandong plans to arrange more than 400 technology introduction projects. Shandong's overall goals and requirements for the utilization of foreign funds to introduce technology in the future are to become self-reliant, to adopt widely proven methods from throughout the world, to promote technological advances and to develop vigorously Shandong's economy. Raising economic results must be the goal of utilizing advanced foreign technology and management methods. Products must be the leading elements around which revolve the rational utilization of resources and the conservation of energy resources and raw materials to improve techniques and the product mix, improve the performance and quality of products, strengthen the competitiveness of export products and transform the current technology within enterprises. In particular we must speed up the technological transformation of the machinery, electronics, light, textile, chemical and construction industries. Specifically, we have the following tentative plans:

The key point for the textile industry is to increase colors, designs and varieties and solve the problems of small production lots and too much variety. We must strengthen finishing and gradually develop complete finishing capabilities, gradually improving the proportion of high- and middle-grade textiles that are exported.

As for light industry, the key point is to speed up the technological transformation of the tanning, paper-making, plastics, clothing, ceramics, foodstuffs and other industries that produce goods for everyday use. We must open up new production areas and promote product improvement and upgrading.

As for the chemical industry, the key points are heavy processing and comprehensive utilization to develop Shandong's advantageous factors of abundant petroleum, coal and ocean resources. We must develop the petrochemical, coal and ocean industries as well as produce polyurethane and other goods.

As for the machinery and electronics industries, we should stress the introduction of designs, manufacturing technology and crucial equipment for basic parts and components and surveying procedures. We must improve our technical levels, develop new products that are of a high efficiency and low consumption, and continuously expand exports.

Conserving energy is the key point for the construction industry. We must transform backward production techniques, improve the level of equipment, upgrade quality and the degree of processing, develop comprehensive utilization by stressing the development of goods made of cement, glass, marble, granite and other abundant resources and, in particular, develop new construction materials.

We must energetically utilize foreign funds to set up a group of urgently needed economic construction projects in the areas of coal development and harbor and wharf construction. A wharf to handle chemical liquids is being explored right now in Shandong and construction of this project via cooperation with foreign businessmen is being considered.

"These plans are most heartening, but carrying them out requires much effort and many forceful measures. Vice Chairman Zhang, please discuss this." Vice Chairman Zhang pointed five fingers, and told this reporter:

First, we must further liberate our thinking and really concentrate on this work. In the process of realizing the magnificent goal proposed by the 12th Party Central Committee--to quadruple the gross industrial and agricultural output value by the end of this century--we still face some problems in terms of capital, technology and management. Practice has made us realize that the utilization of foreign funds and the introduction of technology can remedy not only our capital shortage and allow for work on some key projects that require large investments and have long construction periods, but by using the technological transformation of our present enterprises as a starting point, the introduction of advanced technology can improve our production technology levels rather quickly and speed up the pace of economic development. Considering our export products, we still have some that have no competitive strength on the international market, although we have a group of backbone export products and such famous labels as Qingdao beer. In this day and age, the world's science and technology are developing by leaps and bounds, and the period of technological supersession is becoming increasingly

short. We must emphasize the adoption of the Western world's advanced technology of the 1970's and 1980's, promote the technological advancement of enterprises and continuously create even better quality products to meet the needs of markets at home and abroad.

Second, we must require that every area and department make the utilization of foreign funds and the introduction of technology an important part of their business agenda and assign competent personnel to this task. We must set up sound organizations from top to bottom, making leading cadres responsible, and we must determine office (bureau) directors, project managers and project factory directors, making every level responsible. Once thoroughly grasped, we will see results within a set time limit. In order to simplify business procedures and raise efficiency, provinces will determine and set up coordinated administrative organs that are responsible for unifying planning, for examining and approving projects and for harmonizing problems concerning the handling of introductions.

Third, we must strengthen macroscopic guidance and planned administration over the utilization of foreign funds. Based on the key point of economic construction and on objective possibilities, we will realistically determine long-, middle- and short-range plans for utilizing foreign funds, thus changing the fragmentary situation we have had in the past. Based on previous experience, when drafting year-end plans, every area and department must pay greater attention to the overall balance for utilizing foreign funds and every project should be planned for following an overall balance and coordination with domestic capital, raw materials, fuel, power, communications and transportation, the market for goods and other factors. Projects that are in the plan should proceed according to plan when they are being coordinated with supplies of capital and material goods to ensure their scheduled startup and to see the results of the investment.

Fourth, we must utilize various channels to adopt flexible and diverse trade methods, motivate forces on all sides and speed up the process of utilizing foreign funds. In the future, we must accept as much direct foreign investment as possible and in particular forge ahead in joint ventures and cooperative production. Presently, various areas and departments are actively preparing joint venture projects and striving to have a group of Sino-foreign joint ventures in Shandong within a year or two, thereby striking out on new paths. Shandong will offer preferential treatment, based on the "implementing Regulations of the People's Republic of China's Law for Joint Ventures Utilizing Chinese and Foreign Investment." As for reselling goods, we must not insist on total resale but appropriately expand the proportion of goods for domestic sale from advanced technology projects that are urgently needed domestically. At the same time, we must extend planned and goal-oriented invitations to foreign engineers and technical specialists and, in particular, to overseas Chinese and Chinese experts, teachers, engineers and technical personnel to hold posts, teach, work and be consultants in Shandong.

Fifth, in order to expand exchanges with foreigners and promote mutual understanding and close cooperative relations, the provincial people's

government tentatively set up a group of foreign economic and technological cooperation projects. Each of these projects selected relatively good enterprises that have definite technical abilities and a capacity to make repayments. Following feasibility studies, various coordinating factors were implemented and we hope to have the support and cooperation of people from Hong Kong, Macao and various other countries.

At the close of my interview, Vice Chairman Zhang told me that Shandong has many advantages in utilizing foreign funds. The scale of the next stage of utilization will be greater than in the past, and the scope for cooperation with foreign businessmen even greater. To open a new cooperative situation and jointly work together, Shandong cordially welcomes compatriots from Hong Kong and Macao and industrialists, traders and financiers from various countries to visit Shandong and negotiate on projects and methods of cooperation in which they are interested.

12615

CSO: 4006/22

FOREIGN TRADE AND INVESTMENT

BANK OF CHINA'S PAST AND PRESENT ACTIVITIES MADE PUBLIC

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 84 pp 6-8

[Article by Bu Ming [0592 2494], chairman of the board, Bank of China:
"Diligent Handling of International Financial Business Promotes the Development
of Foreign Trade"]

[Text] The Bank of China is the state foreign exchange bank of the People's Republic of China. It is mainly engaged in international financial business. The Bank of China is taking on increasingly heavy tasks while China is building socialist modernization, particularly in the areas of unifying the state's foreign exchange business, organizing the utilization of foreign exchange and supporting the development of foreign trade as well as developing international and trade exchanges.

In recent years, the Bank of China's business has swiftly developed following the daily increasing development of our country's economic construction and the continuous expansion of foreign trade activities. At the end of 1983, the Bank of China had assets of RMB 137 billion yuan, an increase of 254 percent since the end of 1978. Based on the present net value of its assets, the Bank of China is now one of the world's large banks. This is the result of the bank's implementation of the state's principle to readjust the economy, actively expand the sources of capital, energetically organize funds for utilization, continuously improve business administration and stress the improvement of economic results.

Based on the policy of "stress key construction projects on the one hand and stress the transformation of enterprises on the other," in 1983, while supporting the development of communications and transportation projects and the construction of ports that are favored by the state with a large amount of capital, the Bank of China began to undertake raising funds and giving loans to develop such large-scale key energy projects as the Guangdong Nuclear Power Plant; the Pingshuo, Shanxi, coal mine; and deep-sea petroleum exploration. It is now stressing preparations for loans to finance the projects. Last year the bank continued to stress the use of foreign exchange loans to support the technological transformation of middle- and small-size enterprises. Last year, almost 3,000 local foreign exchange loans were examined and approved, of which more than 60 percent of the projects were for the technological transformation of middle- and small-size enterprises.

That year, more projects were examined, approved and financed than ever before. Presently, the scope of the Bank of China's loans is continuously enlarging. There are many types and varieties of loans and the ways of doing business are becoming more flexible day by day. In recent years, the extension of preferential interest rate loans and special foreign exchange loans has been greatly welcomed by local governments and enterprises.

Trust and investment have become important channels for the Bank of China to utilize foreign exchange funds to support the state's economic construction and foreign trade. By the end of 1983, the Trust Consulting Company of the Bank of China had examined and approved 63 trust and investment projects and 54 international leasing projects. These included the introduction of technology and equipment and the technological transformation of the light, textile, chemical and construction industries as well as the construction of domestic tourist hotels. In addition, more than 1,000 guarantor vouchers have been provided to domestic enterprise and business units and more than 5,600 cases of economic consultation have been provided to domestic and foreign clients. These business activities have enlivened the domestic economy and have promoted the development of production and foreign economic exchanges. They have been warmly received by the financial and business communities at home and abroad.

One of the Bank of China's major activities ever since the early period after the country was founded is the handling of our import and export commodity loans and security deposits and the settling of international trade accounts. Last year, all domestic sub-branches and branches of the Bank of China provided more than 40 billion yuan in credit, thus supporting purchases by foreign trade departments to satisfy the demand for sales of export goods. At the same time, every level of the bank did a lot toward promoting improvements in the business administration of foreign trade enterprises, speeding up the turnover of funds, reckoning losses due to non-allocation and returning funds en route in a timely manner.

In order to improve our export product mix, the Bank of China has put shipping credits, loans and exports of machinery and electrical products on its important business agenda. In the past few years, a sum of several hundred million yuan has been extended by our bank for medium- and long-term loans to support exports of these products. Experience proves that these loans are beneficial to increasing exports of our mechanical and electrical products. In the past year, due to the fact that the bank provided medium- and long-term export credit, our shipping exports were definitely competitive and shippers received a group of new orders even though the international shipping market was in a recession.

Foreign contract engineering and labor exports are a component part of our policy of opening to the outside world. This work has a positive role in strengthening friendly cooperation between the peoples of our country and the countries concerned, supporting their economic development and increasing our foreign exchange income. Besides the necessary technical capabilities, foreign contract engineering and labor exports must also have a certain amount of foreign exchange. In the past 5 years, the Bank of China has given

positive support in terms of funds, credit and guarantees (guarantor letters) to several score of foreign contract engineering companies in the central and local governments. Loans for purchasing construction machines, tools and materials alone reached \$400 million.

An important channel for absorbing direct foreign investments is to set up joint Sino-foreign ventures. The year 1983 saw new developments in the Bank of China's loans for three types of investments (foreign, overseas Chinese and Sino-foreign investments). Up to now, 76 percent of the three types of investments in China were supported by loans from our bank. The total sum of renminbi and foreign exchange loans increased by 400 times and 100 times, respectively, over the previous year. Except for a small amount of the examined and approved loans that were used to acquire fixed assets, most were used for liquid assets. They were used to purchase materials as well as other forms of revolving support. These loans played a positive role in promoting the development of enterprises using the three types of investment.

The Bank of China has played an increasingly active role in constructing the four special economic zones [SEZ] in the provinces of Guangdong and Fujian. Based on the development and needs of construction in the SEZ, the Shenzhen branch adopted flexible measures. It has had relatively good results in actively supporting construction of the zone in terms of fund utilization, management methods, scope of business and organizational setups. Last year the branch extended more than three times the number of foreign exchange loans of the previous year and participated in investing in the Nanhai Hotel and other projects. In order to support construction of the Amoy [Xiamen] SEZ, the Bank of China's Trust Consulting Company will set up the Xiamen SEZ United Development Corporation, in cooperation with five Hong Kong banks and the city of Xiamen. It is preparing for this right now.

In recent years the Bank of China's overseas organizations and its scope of business have continuously expanded. Business activities are even more brisk. While abiding by our country's foreign policies and the principle of serving to construct the motherland, various overseas branches are adopting internationally practiced business methods. They actively and safely engage in various financial activities allowed by local laws and decrees and are making contributions to the state's modernization and construction. By the end of last year, there were 275 branches and affiliated agencies of the Bank of China overseas and in Hong Kong and Macao. These organizations settled a large volume of import and export trade accounts and foreign exchange acceptances, disbursements, allocations and transfers for the state. In accordance with the needs of the state's foreign trade activities, they also conducted a great number of studies about client credit records, international finance and commodity markets.

The Bank of China has been entrusted by the state with the important responsibility of the united management of the state's foreign exchange funds. In the past year, the state's foreign exchange reserves have continuously increased to the highest level ever. Our bank has done a lot of work to manage these funds well and is actively opening a new area for

business. Currently, not only can the bank smoothly complete its ever-increasing work of clearing international trade and non-trade accounts, but it is engaged in domestic deposits, lending and currency exchange. Furthermore, when conditions are suitable, it actively participates in international lending and bond market activities. At the same time as it is developing international financial activities, there have been new developments in the relations of our bank's representative offices in various places in the world. By the end of last year, 3,151 banking organizations scattered in 149 countries and areas of the world had affiliations with our bank. Our bank maintains good cooperative relations with them. This is advantageous to the development of bilateral trade.

In the past several years, there have been obvious changes in our bank's business management and work style. In terms of business management, it has forged ahead from being traditional to modernized. Presently, some of the bank's domestic branches use medium-size computers to handle business. They are commonly used in all overseas branches. Last year our bank participated in the Worldwide Banking and Financial Telecommunications Conference, and this will have a positive role toward accelerating the process of internationalizing our business and modernizing our management. The bank faces new forms of business and responsibilities both at home and abroad. These require that our bank open up a new situation in foreign exchange work with a new attitude. Presently, although our bank's style of management, quality of service and business results have definitely changed and improved, they are still quite far from our goals. We must redouble our efforts and strive to attain advanced world standards as soon as possible.

The Bank of China's main responsibility in 1984 is to make even greater contributions and continue to implement the party and state policies concerning the readjustment of the economy and centered on improving economic results; to expand the sources of funds; to strengthen the management and utilization of funds; to emphasize the technological transformation of the energy resources and communications industries and medium- and small-size enterprises; to improve the quality of service; and to strive for basic improvements in the state's financial and economic situation and develop the state economy's advantages.

Based on the state plan, domestically we must strive to handle various credit, trust and investment matters. One large development in our bank's credit business is responsibility for raising loans, lending money and supervising such large-scale projects as the Guangdong Nuclear Power Plant. This is a sign that the Bank of China is increasingly bringing into play its important role in the state's modernization. Thus, we must strive to make the best financial plan and achieve the best economic results, in line with the principles for raising funds, in order to have "multiple sources of funds, comprehensive utilization, arrangements for both the short and the long term and meticulous plans and preparations." While actively handling trust and investment matters, we must energetically develop our international leasing business. Presently, we are actively planning to set up a certain number of united leasing corporations between the concerned domestic companies that handle these affairs and foreign representative offices. They

will handle not only renting but leasing as well. Undoubtedly this will promote the development of our foreign trade activities.

As for the bank's overseas tasks, besides continuing to develop local business and to take care of the usual settling of international trade accounts, our overseas branches must actively support the construction of domestic modernization and promote the development of our country's foreign trade. They must make greater contributions to domestic construction by providing funds, contacting clients at home and abroad, transmitting information and making fiscal and credit studies of their clients.

The Chinese government has repeatedly stated that opening to the outside world is a basic state policy. We will engage in economic and technological cooperation not only with economically developed countries but also with developing countries in the third world. China is the world's largest developing country and there is great domestic market potential. We can predict that as China gradually modernizes, her economic trade contacts with foreign countries will increasingly broaden and deepen. The trend for China's utilization of foreign funds is to provide good information and opportunities for international financiers and traders doing business with China. The Bank of China is the state's foreign exchange bank. It desires to provide the best service to domestic and foreign clients and work hard and make contributions toward strengthening the development of economic trade and friendly exchanges between people of all countries of the world.

12615

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FOREIGN TRADE AND INVESTMENT

SICHUAN REPORTED DEVELOPING PROCESSING ENTERPRISES FOR FOREIGN TRADE

Chengdu SICHUAN RIBAO in Chinese 5 Aug 84 p 2

[Report by Guo Yunchi [6753 7301 4609] and Yang Runlun [2799 3387 0243]:
"Step-by-step Development of Sichuan Foreign Trade System-owned Processing Enterprises"]

[Text] The processing enterprises owned by the Sichuan Provincial Foreign Trade System are being developed step by step. At present, the number of such enterprises in this province, including those in Chongqing Municipality, is 61. Major goods processed by them are grain, oils, foodstuffs (frozen food, Tianfu peanuts, etc.), tea, native products (white-fibre tobacco, bamboo articles, palm fibre, etc.), traditional Chinese medicines, animal products (hog bristles, casings, hides, feathers, fur and long-hair rabbits), etc. Their output value in 1983 made up 13.6 percent of the total value of the products purchased in the whole province of Sichuan by the foreign trade system in that year, which proves that the processing enterprises have made their due contribution to the increase of the sources of goods for exportation in this province.

In order to take this source as the point of departure to improve the quality and exportation of its goods, the Sichuan Provincial Foreign Economic Relations and Trade System has conducted a technical transformation of the processing enterprises owned by it and has given them strong support in the form of funds and equipment. During the period from 1972 to 1982, 200,000 square meters of factory buildings were built or expanded and 1,100 units (sets) of various productive equipment were added to improve the system-owned processing enterprise's capability to produce and export. At present, the processing enterprises are vigorously promoting progress in techniques as the first step in achieving technical transformation and increasing step by step the proportion of finished products in the exported goods. They are also elevating the grade of their exported goods from low to middle and high and positively developing and producing new commodities for export aimed at making the system-owned processing enterprises a genuine pillar of expanded exportation.

To promote progress in techniques has caused the quality of goods to improve. "Chongqing Tuocha," a bowl-shaped compressed mass of tea leaves made by the Chongqing Tea Plant, won a gold award at the 22nd "World Evaluation Contest

of Food and Beverages" held in August 1982 in Rome. As its quality has made a significant improvement in recent years, the exported crushed black tea produced by the Nanchuan Xian Tea Plant has received very high marks from H.M. Tibbetts, president, and C.E.D. of Lipton, Inc., the largest tea merchant in the United States, which has established a direct trading relationship with this province. Tiger Brand hog bristles, a famous product of the Wan Xian Hog Bristle Plant, were 100 percent qualified for export in 1982 and won the title of a quality product of Sichuan, and the same rating was repeated in 1983. Since the expansion of its factory buildings, the Guang'an Frozen Rabbit Meat Plant has been exporting processed frozen beef, horse meat, mutton and hamburger patties in addition to frozen rabbit meat. In recent years, this plant's processed goods have been 100 percent qualified for exportation.

12730

CSO: 4006/769

FOREIGN TRADE AND INVESTMENT

SHAANXI HOSTS INTERNATIONAL COOPERATION TALKS

HK100430 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 6 Dec 84

[Text] Our province's international economic and technological cooperation talks have progressed quickly and have made great achievements. Since their start on 1 December, the talks have progressed smoothly. By 5 December, contracts had been signed for 82 of the 304 items originally scheduled and the volume of business was some \$166.9 million. Of the 82 contracts already signed, 64 are for technological transformation and the majority of the others are for tourism development, including the building of hotels and the development of the food industry.

Through the talks, we have vigorously introduced Shaanxi to the participants and have tried to make more friends. Since the opening of the talks, approximately 500 foreign visitors, foreign businessmen, and Hong Kong and Macao compatriots have been received, of whom some are commercial counsel or secretaries of the French, U.S., Soviet, Romanian, and Czechoslovakian embassies in China. Also attending are Professor (Wang Yishou), director of the China Research Institute in the United States, and Mr (Duzailun), president of the Geneva (Kelunbo) Organization in Switzerland.

Since they have deepened their understanding of Shaanxi, these foreign visitors and foreign businessmen have expressed great confidence in and enthusiasm for investment in our province. An investment fever for Shaanxi has emerged among them very quickly.

Through these talks, our force working to unfold the work of opening to the outside world has been trained. There are thousands of work personnel taking part in these talks, and many of them are engaged in this work for the first time. They have worked hard to study and have increased their ability in practical work.

CSO: 4006/90

FOREIGN TRADE AND INVESTMENT

BEIJING REVIEW INTERVIEWS GU MU ON OPEN CITIES

HK180728 Beijing BEIJING REVIEW in English No 50, 10 Dec 84 pp 16-18

[Interview with Gu Mu, member of the CPC Central Committee Secretariat and state councilor, with a BEIJING REVIEW correspondent on the policies for China's 14 open coastal cities; date and place not specified]

[Text] Question: The state's opening of 14 coastal cities to foreign investment was strongly supported by people throughout China. What's the reaction abroad?

Answer: The opening of 14 coastal cities was a follow-up to the establishment of four special economic zones and the opening of Hainan Island. It is another important step towards opening to the world and a strategic measure for speeding up China's socialist modernization programme. From this important policy decision, people from all walks of life abroad have seen more clearly the stability, continuity and long-term nature of China's open policy, and they have given it a positive appraisal. I don't want to go into details here, but I do wish to tell you a fact: After the opening of the 14 cities was announced, though the investment situation is not perfect, more and more foreign investors have come for talks on investment. In the first nine months alone, 420 foreign investment contracts were signed for projects in the 14 cities. The total investment amounted to U.S. \$880 million, or 1.5 times the total investment in the previous five years. At the Symposium on Investment in the Open Cities held recently in Hong Kong, more contracts and agreements were reached, involving a handsome sum of money.

Question: What special policies will be implemented in the 14 coastal cities?

Answer: In order to increase the economic and technological exchange with foreign countries and create better conditions for investment, the government has decided to enforce the following major policies and measures in these cities:

First, these cities have greater power to examine and approve construction of projects financed by foreign capital. The foreign capital is used to upgrade old enterprises and to build new factories. For those enterprises which are free from state planning and quotas, whose products are not marketed by the state and whose exports do not involve fixed quotas, Tianjin and Shanghai

have the power to approve projects each costing no more than U.S. \$30 million; Dalian and Guangzhou have the power to approve projects of less than U.S. \$10 million each; and other cities may approve projects involving less than U.S. \$5 million each. With regard to nonproductive projects, city authorities have the power to examine and approve projects which use foreign capital, locally raised funds and imported equipment and which do not fall under state planning, regardless of the amount of investment.

Acting on the abovementioned prescribed limits of power, the city authorities may examine and approve the projects using foreign capital. They may also approve the import of related equipment, dispatch study delegations abroad, host business talks and reach agreements with foreign companies.

Second, the government is actively supporting these cities in using foreign capital to import advanced technology to upgrade their old enterprises. For instance, customs duties, taxes on imported products or value-added taxes (VAT) are exempted prior to 1990 on the import of key equipment and other materials necessary for technical transformation which cannot be readily obtained in China.

Third, the government is giving preferential treatment to those business people who come to these cities to set up enterprises with their own funds. If foreign investors set up technology- and knowledge-intensive productive projects, energy and communications projects or projects involving an investment of more than U.S. \$30 million, they will pay only 15 percent income tax with approval from the departments concerned.

As for those projects which do not qualify for the tax reduction but involve machinebuilding, electronics, metallurgy, chemicals, building materials, light industry, textiles, packaging, medical equipment, pharmaceuticals, construction, agriculture, forestry, animal husbandry, aquaculture and related processing industries, the investors may pay 80 percent of the normal income tax if the project is established in the old city districts. Customs duties, import taxes and VAT will all be exempted from the production and management equipment and building materials imported as investment by joint ventures, cooperative enterprises and wholly owned foreign enterprises. Exempted items include raw and wholly owned foreign enterprises. Exempted items include raw and semifinished materials, components, spare parts and packaging materials imported for producing export products. Also exempted are communications and office equipment imported for the foreign enterprises. Those foreign companies which set up enterprises or research institutes in the economic and technological development areas in these cities, besides enjoying all the preferential treatment provided for investors in the old urban districts, pay only 15 percent income tax. When remitting their legal profits home, the foreign investors are exempted from paying the usual income tax equivalent to 10 percent of their remittance. In addition, the procedures for entrance and exit of foreign business people who come to these cities on study tours or for business talks will be simplified to make things convenient for them.

[HK180756] Question: What is the difference between the economic and technological development areas set up in these coastal cities and the special economic zones?

Answer: The main differences are as follows:

First, there are different tasks and functions. In the special economic zones, which is a comprehensive economic development area, investors can invest in industry, agriculture, animal husbandry, aquaculture, tourism, housing, the building industry, high-grade technology development, and other ventures of common interest. Whereas in the coastal city economic and technological development area, the investors operate primarily productive enterprises and research institutes, developing new technologies, new products and new industries.

Second, there are different preferential tax policies. In the special economic zones, joint ventures, cooperative enterprises and wholly owned foreign enterprises, be they productive or nonproductive enterprises, all pay 15 percent income tax. Whereas in the coastal city economic and technological development area, only productive enterprises enjoy this preferential tax treatment. In the special economic zone, customs duties are exempted from imported capital goods and consumer goods (except for cigarettes, liquors and a few other commodities), whereas in the coastal city economic and technological development area, only imported capital goods are exempted from customs duties.

Question: Joint venture contracts usually contain a provision on the time duration. Can the duration of contracts be extended and, if so, how long can they be extended?

Answer: The regulations (see BEIJING REVIEW No 41, 1983) stipulate: "The duration of a joint venture shall be decided upon through consultation of all parties to the joint venture according to the actual conditions of the particular lines of business and projects. The duration of a joint venture engaged in an ordinary project is usually from 10 to 30 years. Duration for those engaged in projects requiring large amounts of investment, long construction periods and low interest rates on funds can be extended to more than 30 years. When all parties to a joint venture agree to extend the duration, the joint venture shall file an application for extending the duration signed by representatives authorized by the parties with the examination and approval authority six months before the date of expiration of the duration." So, the duration of joint venture contract can be extended after its expiration. As for how long the extension will be, it will be decided upon through consultation between all parties to the joint venture, and through endorsement by the examination and approval authority.

Question: Foreign business come to invest in China because they know China, with a population of more than one billion, can provide a big market. The Chinese Government has also said that it will allow some goods produced by joint ventures to be sold on the domestic market. Would you please brief us on China's policy towards such sales?

Answer: Goods produced by joint ventures should, in principle, be sold abroad. In exchange for advanced imported technologies, however, our country is willing to allow some joint venture products to be sold in China. Joint venture products may be sold on the domestic market as long as they meet one of the following requirements: (1) The products are advanced equipment or contain advanced technology, products which are in short supply in China; (2) the products are items scheduled to be imported in China's medium- and long-term plants; or (3) the products are up to the advanced world level in quality, function and design, though the likes of which are already being produced in China. Government departments are considering concrete measures on domestic sales rules.

Question: Some foreign friends worry that the establishment of special economic zones and the opening of the 14 coastal cities to the outside world will bring capitalist practices to China and adversely affect China's orientation. Do you think there is such a danger?

Answer: It is unlikely if we keep a sober mind and adopt correct policies. Take "cultural contamination" for example. When we decided to open China to the outside world, we set out to import advanced technology and science and modern management methods. As for those decadent things in capitalist society, we will never "import" them but rather resist them resolutely. Foreigners who come to invest in China or to do other business must abide by China's laws and respect China's social ethics. We hope that efforts should be made to improve China's cultural life while we are using foreign funds and technology to build up the country. Practice has proved that we can do both well. Take the rapidly developing Shenzhen Special Economic Zone, for example. Social ethics are healthy there, and the people are enterprising. A survey of 43 Shenzhen departments shows that 70 percent of the employees have joined self-teaching groups. Public order is quite good, and the crime rate is lower than in many other Chinese cities.

Some worry that using foreign investment will cause China to fall deep into debt. This is a problem to be taken seriously. We carefully examine every item, which involves foreign investments, to make sure that we can afford to pay back our loans in the future. The internationally established "confidence level" of repayment capacity is that the total amount of principal with interest cannot exceed 20 to 25 percent of 1 year's export income. Now the principal and interest we are to pay account for less than 10 percent. Some projects for which we are using foreign investment are going very well. The point is not that we have imported too much foreign investment, but that we have to take new steps to get more experiences and better results.

The establishment of special economic zones and the opening of some coastal cities to foreign investment can quicken the pace of China's socialist modernization program. Using foreign funds and attracting foreign investors to set up joint ventures, cooperative enterprises and wholly owned foreign enterprises are necessary and a helpful supplement to China's socialist economy. Since our country's economic foundation is solid, the import of billions or even hundreds of billions of U.S. dollars in foreign investment could not exert any adverse impact upon the nature of our socialist economy.

FOREIGN TRADE AND INVESTMENT

DEVELOPMENT OF TOURIST FACILITIES CONTINUED IN FUJIAN

OW181650 Beijing XINHUA in English 1633 GMT 18 Dec 84

[Text] Fuzhou, December 18 (XINHUA)--Fujian Province received 148,000 tourists from overseas, Hong Kong and Macao in the first 10 months of this year--up 32 percent on the same period in 1983. Fujian is known for its beautiful mountains, rivers and islands, as well as hot springs and historical sites.

Advances have been made in utilizing foreign funds to boost tourism over the past few years, according to a provincial tourism conference which closed here today.

The province has used 190 million U.S. dollars in foreign and overseas Chinese funds to build hotels and other tourist facilities since the beginning of this year. As a result, a number of tourist hotels have been completed in the provincial capital of Fuzhou and Xiamen, which alone has absorbed 120 million U.S. dollars this year. Many others are being built.

New tourist areas will be developed over the next six years, according to a tentative plan drawn up during the six-day conference.

Fuzhou will develop tourist attractions on the Gushan, Niaoshan and Yushan hills in its suburbs. A large amusement park will be built in the urban area.

Xiamen will open two vacation villages on Gulang Island and in the Huli Hills. The ancient port of Guangzhou will renovate Muslim historical sites.

Longxi Prefecture will develop Dongshan Island into a vacationing area and provide Hovercraft services to Xiamen and to Shantou in neighboring Guangdong Province.

Historical buildings will be repaired and restored in the Wuyi Mountains.

CSO: 4020/53

FOREIGN TRADE AND INVESTMENT

BRIEFS

IMPORTS, EXPORTS INCREASE--Shanghai, December 10 (XINHUA)--Shanghai had by the end of last month imported 670 million U.S. dollars worth of goods, at least 60 percent more than in the same period of 1983. The city's exports during the first 11 months of 1984 amounted to 3.27 billion U.S. dollars, also more than in 1983. This was announced at a ceremony marking the fifth anniversary of the founding of the Shanghai General Corporation of Foreign Trade. The company signed three contracts at the ceremony, including one to build 200 villas in Shanghai. "Eight other contracts will be signed soon," Deputy General Manager Guo Zhongyan said. [Text] [Beijing XINHUA in English 1621 GMT 10 Dec 84]

ZHEJIANG TOURISM DEVELOPMENT--Hangzhou, October 31 (XINHUA)--Hangzhou will import more than 700 taxis and tourist coaches from now through to 1985 as part of the effort to develop its tourism. The city is world-renowned for its picturesque West Lake. A recent State Council decision allows it to practice flexible policies to attract foreign investment in tourism so that it will eventually become a tourist resort of international standard. Hangzhou received 161,000 foreign tourists last year, and this year's number will exceed 183,000. [Text] [Beijing XINHUA in English 0651 GMT 31 Oct 84]

XIZANG TOURISM TO DOUBLE--Lhasa, December 15 (XINHUA)--Tibet, in many ways still a mystery to the outside world, is expecting 4,000 to 5,000 tourists next year, at least double this year's figure. Construction is already underway on five Tibetan-style hotels and service workers are being trained in major tourist resorts in other parts of China. Most of the new hotels will open in the second half of 1985, according to Han Xiaoli, chief executive of the Tibetan Autonomous Regional General Tourist Company. The government is encouraging rural and urban collectives and individual households to set up hotels. "Visitors will have a larger choice of hotels," Han said, "If they like, they may also live in rooming houses." The company, set up this month, will undertake "systematic" studies of the region's tourist resources and provide foreign tourist market information. Tibet opened to commercial tourism in 1980. Prior to this, he added, entry had been allowed mainly to official guests and journalists. Han said: "Tourism will eventually become a major industry on the 'roof of the world,' where visitors are invariably fascinated by snow-clad mountains and lama temples with golden roofs." [Text] [Beijing XINHUA in English 1506 GMT 15 Dec 84]

TRADE AGREEMENT WITH BULGARIA--Beijing, December 13 (BTA correspondent)--A 1985 reciprocal trade and payments agreement was signed here today between the People's Republic of Bulgaria and the People's Republic of China. In comparison to the current agreement, this document envisages a 28 percent increase in reciprocal trade and a diversification of its structure, which will provide better conditions for the expansion of economic contacts between the two countries. On behalf of Bulgaria, the agreement was signed by Mr Petur Bashikarov, first deputy minister of foreign trade, and on behalf of China it was signed by Mr Wei Yuming, deputy minister in the Ministry of Economic Relations and Foreign Trade. Prior to the signing ceremony, the Bulgarian delegation to the trading talks was received by Ms Chen Muhua, state counsellor and minister of economic relations and foreign trade. [Text] [Sofia BTA in English 1805 GMT 13 Dec 84]

ZHEJIANG EXPORT COMMODITY PROCUREMENT--By the end of October, Zhejiang Province had procured export commodities worth 1,862 million yuan, overfulfilling the annual export commodity procurement plan 2 months ahead of schedule, and registering an increase of 26 million yuan over the same 1983 period. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 8 Nov 84 OW]

QINGHAI INTERNATIONAL ECONOMIC, TECHNOLOGICAL FAIR--The Qinghai provincial talks on international economic and technological cooperation ended victoriously in Xian [as heard] yesterday. At the 10-day talks, our provincial delegation held business talks with 100-odd businessmen of some 70 companies from the United States, Britain, France, Japan, the Netherlands, Switzerland, Sweden, Canada, and Hong Kong. At the talks, contracts were officially signed on 15 projects, which included two joint-venture projects, one project of cooperative business operation, and 12 projects of important equipment. The total amount involved in the projects was \$34 million. In addition, letters of international cooperation were signed on another 34 projects. The talks opened on 1 December. Some 170 people from the fields of heavy industry, light and textile industries, mechanical industry, communication and transportation, construction materials, and culture and education of the province attended the talks. Through business talks with foreign businessmen, they have given publicity to Qinghai's advantages, made many new friends, reached agreements on some projects, and trained and tempered the province's personnel in dealing with foreign economic and technological cooperation, thus played a good role in promoting the province to adopt an open policy in the future. [Text] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 11 Dec 84]

JILIN-JAPAN JOINT-VENTURE COMPANY--Jilin Province opened the Changchun Sanyo Electronic Ltd. Company, the first Sino-Japan joint venture enterprise, in the Hekou Industrial District of the Shenzhen Special Economic Zone in Guangdong Province on 1 December. The Changchun City Micro Electronic Plant, the Jilin Provincial International Trust and Investment Company, and the Japanese Sanyo Ltd. Company invested in the company. The establishment of the company is contributive to utilizing outside funds to develop production, training managerial personnel, introducing advanced equipment and technology, and to increasing foreign exchange for the state. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 2 Dec 84 SK]

SHANGHAI-HONG KONG TRADE--The two-way trade between Shanghai and Hong Kong, in the first 10 months of this year, totaled \$1.36 billion, 9.9 percent above the same period last year. From July to November this year, 16 cooperation enterprises, with joint Shanghai and Hong Kong investment, were established in Shanghai. From January to November this year, 32 enterprises, jointly run by Shanghai and Hong Kong, were established with the approval of the Shanghai Municipal Government. Hong Kong's investment in these enterprises totaled \$210 million. Shanghai's exports to Hong Kong account for one-fifth of Shanghai's total exports. [Beijing XINHUA Domestic Service in Chinese 1140 GMT 16 Dec 84 OW]

TIANJIN EXPORT COMMODITIES--The 1984 autumn Guangzhou trade fair ended on 5 November. Tianjin concluded some \$180 million worth of business agreements for export commodities. [Excerpt] [Tianjin City Service in Mandarin 0030 GMT 8 Nov 84 SK]

UGANDAN DELEGATION IN LIAONING--A Ugandan fishery delegation headed by John Joseph Otim, minister of animal husbandry and fisheries of the Republic of Uganda, visited Shenyang on 2 and 3 December. On the evening of 3 December, Sun Qi, vice governor of Liaoning Province, met with and feted the African guests. After arrival, the delegation talked with representatives of the Liaoning International Economic and Technical Cooperation Company on the establishment of a Sino-Ugandan joint-venture fishery corporation. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 3 Dec 84 SK]

CSO: 4006/90

SPECIAL ECONOMIC ZONES

BENEFITS OF OPENING FOREIGN BANK BRANCHES IN SHENZHEN EXPLAINED

Beijing LIAOWANG [OUTLOOK] in Chinese No 27, 2 Jul 84 pp 42-43

[Article: "Qian Jiaju and Others Believe That There Are Many Advantages and Few Disadvantages in Allowing Foreign Banks To Open Branch Banks in the Shenzhen Special Economic Zone"]

[Text] Since inspecting the Shenzhen special economic zone, 17 well-known economists including Qian Jiaju [0578 1367 7467], Tao Dayong [7118 1129 6978] and Wu Takun [0702 1129 3824] believe that there are many advantages and few disadvantages in allowing the representative offices of foreign banks to be upgraded to branch banks.

From January 1982 to the end of 1983, 11 foreign banks and financial institutions were successively introduced to the Shenzhen special economic zone. Except for the Nanyang Commercial Bank establishing a branch bank and the Minan Insurance Co. setting up a branch company, the rest of these have only set up representative offices. According to related rules and regulations, representative offices can only engage in such activities as liaison, advisory consultation and non-profit services.

Qian Jiaju and others believe that the present Western economy is a society dominated by financial capital, the power of transnational banks and corporations is strong and has infiltrated every field and transnational banks are the nucleus controlling all large financial groups of transnational corporations. Domestic markets in Western countries have now shrunk, there is a surplus of loan capital and surplus loan capital will inevitably infiltrate all areas of the world. Under these conditions, allowing representative offices of foreign banks to be upgraded to branch banks and to handle regular foreign exchange banking business will be significant in promoting the building of special zones. Qian Jiaju and others believe that the benefits of allowing the upgrading are:

1. It will be beneficial in introducing foreign capital;
2. It can bring in investments from a group of traveling merchant depositors and accelerate the introduction of technology and knowledge-intensive forms of industry;

3. It can bring in quite a lot of foreign capital, reduce the pressure of tight credit funds in all banks in the special zones and increase special-zone revenue;
4. It can provide all kinds of modern financial services, prompt and accurate economic information and advisory services for building special zones; and
5. It will be beneficial to all domestic banks in learning from the advanced management methods and the experience of foreign banks and improving service quality.

In summary, allowing foreign banks to open branch banks will further expand the political influence of the special zones, be beneficial in eliminating the hesitations and doubts of foreign investors, strengthen economic contact and cooperation between special zones and all countries in the world, raise the prestige of the special zones and create the conditions for their further economic development.

Two worries now exist about the analysis of this problem by Qian Jiaju and others: one is the fear that after opening branch banks, foreign banks will monopolize our country's financial markets; the other is the fear that domestic banks will be unable to compete with foreign ones. They believe that none of these worries is necessary. Due to differences in the times, conditions and circumstances, after foreign banks open branch banks, we will have complete power and management control, and domestic banks will also develop competitively in modern directions. But in order to achieve this, we must conscientiously accomplish preparation work such as:

1. Formulating and publicizing related laws and regulations such as special-zone foreign exchange laws, foreign capital banking laws and mortgage laws and perfecting legislative work, enabling foreign banks to have reliable laws when being upgraded and acting according to law;
2. Establishing foreign bank management organs in the special zones to unify business rights;
3. Stressing the work of training financially specialized cadres;
4. Establishing advisory organs and doing a good job of investigation and research work in introducing foreign banks; and
5. Accelerating the building of telecommunications facilities.

Qian Jiaju and others believe that the export of loan capital from Western countries is of course in order to rake in surplus value, but weighing the pros and cons, the advantages are greater than the disadvantages and the more fully our preparation work is done, the more advantageous will the opening of foreign commercial banks be to us.

12267

CSO: 4006/728

SPECIAL ECONOMIC ZONES

COMMENTS ON FUJIAN'S ECONOMY BY DEVELOPER OF SHEKOU MODEL

Fuzhou FUJIAN RIBAO in Chinese 24 Aug 84 p 1

[Special report by Lin Mingkan [2651 6900 0170] and Ma Fei [7456 7236]: "Interview with Yuan Geng on Fujian's Economy"]

[Text] At the invitation of Governor Hu Ping [7579 1627] of Fujian, Comrade Yuan Geng [5813 1649], vice chairman of the Hong Kong Merchant Shipping and Navigation Corporation and secretary of the Shekou, Guangdong, Industrial District CPC Committee, visited Fujian to pass his precious experiences on to us. He gave several lectures at Xiamen and Fuzhou and was warmly received by his audience. Because Comrade Yuan is also the developer of the "Shekou Model" and has long been admired by us, we had an interview with him at his hotel--Fuzhou Wenquan Guest House--on the evening of 21 August.

When asked about his impression of Fujian, Comrade Yuan put down the book of data he was holding, straightened up slightly his stalwart body and answered wittily, "Although I am not a native of Fujian, anything that concerns this province also concerns me, for I am always a believer of the old saying--'neighbors are dearer than distant relatives.' Thus, I will hold no reservation when offering my impression of Fujian. I advocate that a Chinese-style expressway be built between Fuzhou and Xiamen, which means that the existing road should be duly widened to expand the traffic flow and the use of this road should be controlled. The construction of basic facilities in the Xiamen Special Economic Zone today has been greatly improved compared to what I saw several years ago, and the environment for investment has become further perfected. I have visited Meizhouwan, which I had not heard of until this trip, and have noticed that it is indeed better than any of the world-famous ports which I have seen in other countries. Quanzhou had been a seaport for trade with many foreign countries even before the Tang dynasty and was once called a city with 'all of its ground covered with gold' by foreigners. More important is that members of local leading groups are young and enthusiastic about opening Fujian to the outside world and livening up its economy. I see a bright future in store for them."

Comrade Yuan particularly admires Fujian for its preponderance of many overseas Chinese. When as an overseas Chinese affairs worker years ago, he said, he had already realized that many overseas Chinese who originated from Fujian had a deep love for the motherland. Mr Chen Jiageng [7115 0857 1649], for example, was a highly influential overseas Chinese leader from this province.

During his trip from Xiamen to Fuzhou this time, Comrade Yuan saw many multi-story buildings along the road which are built with the funds sent by overseas Chinese who are willing to hire people to watch the buildings when they are abroad. This fact illustrates that the overseas Chinese have a love for both the country and their native villages. Comrade Yuan suggested that mountain, coastal and overseas Chinese all be listed as Fujian's major groups with the last group placed ahead of the other two. He also pointed out, "Of the investors in Shekou's plants, the largest number are overseas Chinese who originated from Fujian. This phenomenon leads to the following question: since both Guangdong and Fujian are open to the outside world, why do the overseas Chinese from Fujian invest their money to Shekou instead of their native province? In my opinion, besides the geographical conditions, there are many other situations which are worth our study."

In answer to our question about the methods which the Shekou Industrial District has adopted to attract foreign and overseas Chinese investors, Comrade Yuan said significantly, "To keep one's word is very important in doing business with foreigners. This truth is reflected in the old Chinese saying-- 'People must respect themselves before being respected by others.' At the start of the Shekou Industrial District, foreign businessmen did not believe that their investments in the plants of socialist China could produce profits for them, while overseas Chinese businessmen would rather donate money for the construction of their adopted countries than invest it in the motherland's industry. At this moment, we announced internationally the favorable terms which we would accord to foreign investors and put forward our slogan, 'It is our victory if foreign businessmen's investments in Shekou can make money for them; otherwise, it is our failure.' This slogan had a tremendous impact on many foreign and overseas Chinese businessmen and residents of Hong Kong and Macao because they said that our thinking coincided with theirs and, consequently, they invested their money in plants in Shekou one after another. During this period, most of the agreements we signed with foreign investors were on a mutually beneficial basis, but one plant caused us to suffer a loss because our investigation and study of its foreign investor were not sufficient. However, in order to keep our word, we executed the agreement even though we had to endure the loss. Just because we did so, this foreign investor has now increased the number of plants in Shekou with his investment from one to three, which proves that both sides eventually benefited. If we intend to cause trouble for foreign investors or refuse to honor our agreements signed with them out of jealousy when they have made more profits than we have or when we have suffered a loss, we will never be able to make a good job of opening our door to the outside world and importing investments from foreign countries."

The interview was originally scheduled for only half an hour, but since we had touched on the ideological obstacles which Fujian has often encountered in its open-door policy, we asked Comrade Yuan to talk about the thinking and views which he had at the time when he started to develop the Shekou Industrial District. He willingly accommodated our request and said cheerfully and modestly, "There was nothing personal involved, but I felt sad about the situation in China in which after several decades after our revolution the country was still backward, the people continued to suffer hardships and some

people always thought about going abroad. China did not have poor conditions nor were our people lazy or unpatriotic to cause such a situation to happen; the main reason was that we had failed to do a good job of building our country. Being a Communist Party member, I had always felt ashamed and also had always wanted to make our country strong and our people rich as soon as possible. After the 3d Plenary Session of the 11th Central Committee, the Shekou Industrial District was developed on an area of 2.14 square km to be open to the outside world only after approval of this project was granted by the Central. When we put forward the slogan, 'Time is money, efficiency is life,' some people criticized us by saying, 'You people at the Merchant Shipping and Navigation Corporation only talk about money, money and again money,' and there were other comments which were even more offensive. As our minds were occupied by the thinking that many comrades who conducted revolution on this land for the sake of building a happy socialism and bringing a better life to the people had already gone ahead of us, we only had time to feel compunction and could not spare any to listen to those remarks. We also decided to persevere to the end and to answer those curses with our achievements." Comrade Yuan had this way of thinking for himself, but he also used it to educate the cadres, staffers and workers of the Shekou Industrial District. For all these years, the absolute majority of cadres of Shekou have gotten rid of their worries and have become decisive and bold in action and have blazed new trails with daring. From the conversation with Comrade Yuan, we have learned that the spirit of development comes from the enthusiasm for revolution and a high level of sense of responsibility toward the cause of our party. Because Comrade Yuan was a guerrilla in the Shekou area during the anti-Japanese war, he has a flesh-and-blood affection for the local people. What we are stressing here are Comrade Yuan's noble thinking, character and morals, which are exactly the example we must follow.

12730

CSO: 4006/769

SPECIAL ECONOMIC ZONES

SHENZHEN PRODUCTION INCREASES BY LARGE MARGIN

HK141429 Beijing ZHONGGUO XINWEN SHE in Chinese 0713 GMT 13 Dec 84

[Report by Zhan Moujun [6124 6180 0193]: "Shenzhen Achieves Big Increases in Various Fields of Production This Year"; ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 13 Dec (ZHONGGUO XINWEN SHE)--This reporter learned from the Shenzhen Social Economic Development Commission that this year Shenzhen has achieved big increases in various fields of production and that the situation is better than expected.

The major targets have been overfulfilled. It is estimated that its GNP will reach 1,959,000,000 yuan this year, a 51 percent increase over last year, and that the per capita output value will reach 3,109 yuan, a 32 percent increase over last year. The GNP and per capita output value of its special economic zone will be even higher. The former will reach 1,487,000,000 billion yuan [as published] and the latter 4,650 yuan.

Industrial production is impressive. It is estimated that this year Shenzhen's total industrial output value will reach 1.6 billion yuan, a 122 percent increase over last year. Its profits will increase by 160 percent and its revenues and taxes by 100 percent or more. The proportion of industry to its national production will rise from 15.72 percent to 23.07 percent. A change has taken place in the proportional formation of its GNP.

There is new development in introducing foreign capital. From January to October, industrial agreements and contracts accounted for 80 percent of the 804 agreements and contracts signed with foreign businessmen. The amount invested in and used by joint ventures, cooperative enterprises, and wholly-owned enterprises was 1.58 billion yuan, a 41.5 percent increase over the same period of last year. Thirty-nine large projects each worth HK\$10 million or more were introduced, a 56 percent increase. Some advanced technological projects such as the production line for laser television sets, laser gramophone records, and printed circuit boards were introduced from the Philips Company of Holland.

Big investment has been made in capital construction. This year Shenzhen has invested 1.5 billion yuan in capital construction, a 70 percent increase over last year. The area under construction is 6.3 million square meters and the

completed area is 2.5 million square meters, an increase of 1.1 million square meters over last year. Of the completed area, the area for housing is 1 million square meters.

Revenue, the retail sales volume of social commodities, the total purchase value in foreign trade, and the income from foreign exchange have increased by 40 percent or more over last year.

CSO: 4006/201

LABOR AND WAGES

FRUITFUL NATIONAL LABOR PLACEMENT DISCUSSED

Beijing GONGREN RIBAO in Chinese 3 Sep 84 p 1

[Article: "Cities and Towns in Our Country Achieve Gratifying Results in Job Placement--From 1979 to 1983, an Average of 7.83 Million People Were Given Jobs Annually"]

[Text] In the 35 years since the founding of New China, labor placement in our cities and towns has made tremendous achievements and the contingent of workers and staff members is growing continually. The number of workers and staff members in 1983 totaled 115.15 million or 14.2 times greater than the number of 8.09 million in 1949. The average number of people employed per household rose from 1.33 in 1957 to 2.38 in 1983. The average number of persons under the care of each employed person (including the employed person dropped from 3.29 in 1957 to 1.71 in 1983.

The party and the government have always paid great attention to the labor employment problem. During the restoration of the national economy and the First Five-Year Plan period, while developing production and construction, not only the unemployed problem left over from old China involving 4 million people was solved, employment opportunities were also offered to more than 10 million people. In the years after 1958, particularly during the 10 years of turmoil due to the "Leftist" ideological influence and errors in work, a large number of people in the cities and towns were looking for jobs. After the 3rd Plenary Session of the 11th CPC Central Committee, the historical experience was summed up, the "Leftist" mistakes corrected, the economy enlivened and employment opportunities increased. In the 5 years from 1979 to 1983, the number of people in the cities and towns throughout the country placed with jobs totaled 39.16 million, or about one-third of the total number of people placed in the cities and towns in 35 years, averaging 7.83 million people per year.

The new characteristics of labor employment in cities and towns are manifested mainly in:

Opening up many channels of employment and implementing the employment policy of linking job introduction by the labor departments with voluntary organization to bring jobs and self-seeking of jobs under overall planning and guidance of the state. By the end of 1983, the proportion

of those employed in all kinds of economic activities in cities and towns is as follows: in units under the ownership by the whole people, 29.7 percent; in units under collective ownership, 47.9 percent; engaging in individual undertakings, 10.5 percent. The collective and individual economics have become an important channel of employment for the youth in the cities and towns.

Readjusting the industrial structure. The number of people employed in commerce, service trades and trades producing consumer goods has increased greatly. By the end of 1983, the number of people employed in commerce, the food industry and service trades in cities and the countryside throughout the country totalled 16.68 million people, or 1.7 times greater than that in 1978, thus initially improving the phenomenon of "hard to find a place to eat," "hard to find a place to stay" and "hard to find a place to make some clothes" in some cities.

Developing labor service companies to change the practice of purely relying on administrative means to arrange for jobs. The labor service companies are in charge of organizing, training, providing and regulating the social labor forces and at the same time actively support and organize the collective economic network and outlets to create conditions for those waiting for employment. By the end of 1983, the number of labor service companies throughout the country has grown to 23,988 and the number of people trained by these labor service companies and employed totaled 5.7 million. By the end of 1983, the number of units under the collective economy affiliated with labor service companies totaled more than 134,000 and the industrial output value created, the amount of business done and income from labor services in the whole year came to 13.4 billion yuan.

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CSO: 4006/36

TRANSPORTATION

DETERMINATION OF PRICES FOR WATER TRANSPORTATION

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese
No 4, 20 Jul 84 pp 32-35

[Article by Ding Ming [0002 6900]: "An Inquiry into the Question of Water Transportation Prices in China"]

[Text] Editor's note: China's transportation prices are an integral part of our planned prices under socialism and so the determining principle for transportation prices should be based on the theory of planned price formation. China has a very long history of water transportation and the problems that exist in water transportation prices are also more complicated than for other fields of transportation. The correct formation of water transportation prices is good for giving full play to the role of water transportation with its low energy consumption and low costs and for easing the current problem of a shortage in transportation capacity and consequently we hope that everyone will now carry out more discussion of the issue and that concerned departments will supply materials and opinions in their study of this problem. The article below is one opinion that has been put forward about water transportation prices which we provide for everyone to refer to when they discuss the problem.

I

At present, China's water transportation implements the principle left to us by history of determining prices by dividing a region into zones. The formulation of transportation prices for each navigation zone is based primarily on the extent of the monopoly and the specific costs of water transportation. For example, the Chang Jiang navigation zones in China's water transportation (under direct state control) are divided into upper, middle and lower reaches and thus three-stage transportation pricing is carried out. In the upper reaches, transportation prices are twice as high as they are in the middle reaches and for rail transportation, and three times as high as they are in the lower reaches. This is primarily because the upper reaches for water transportation have a monopoly character and high transportation costs. The sea coast is divided into north and south navigation zones, and due to the

fact that the railroad network is rather sparse in south China, the southern coast has adopted prices that are equivalent to rail transportation prices and which are 50 percent higher than along the northern coast. The price structure and development trends created by the principle of different set prices for water and rail transportation are direct reasons contributing to the imbalance between China's water and rail transportation price parities. Recently, although the state has properly readjusted the transportation costs for goods on water and rail so that there has been some improvement in the price parity imbalance, I still believe that we must create a rational price parity relationship between water transport and rail and that we must restructure the currently implemented principle of setting prices by zones in water transport.

The monopoly in water transport mentioned above is essentially different from the capitalist monopoly that we usually speak about. Under the socialist system, the water transport monopoly is determined by the natural environment and the developmental level of productive forces. Thus, China's water transportation monopoly depends on the following two conditions:

1. The existence of only the water mode of transportation on a navigation route or in a zone.
2. Although various modes of transportation exist on a navigation route or in a zone, water transportation is most direct and has the shortest distance, while the other modes of transportation are circuitous and longer, and so there is a definite difference in distance between the two.

The water transportation monopoly price spoken of here, presupposing that there is no rational price parity between the various modes of transportation, refers to the income differential received in water transport. As monopoly conditions change along with the development of productive forces, the monopoly price of water transport must also change with it in order to adjust to the supply and demand relationship. For example, right after the establishment of the People's Republic, China's railroads were not very developed, and water transport had almost a monopoly character. But in the 30 years since then, we have been able to develop rail transportation greatly in competition with water transport in cost and transport price. From the regional standpoint, the important ports in the Chang Jiang navigation zones and on the south China coast now all have rail links. Due to the construction of the railroads, the first conditions for China's water transport monopoly has already been transformed. Change in the second condition is evident as well. In Table 1, we have taken the Chang Jiang navigation zone as an example and made a simple analysis of the changes in the second condition.

We can see from Table 1 that apart from the section on the upper reaches between Chongqing and Yichang and the section on the lower reaches between Huangshi and Wuhu where certain monopoly conditions in distance still exist for water transport, between other ports and stations, water transport is greater in distance than rail transport. For example, on the middle reaches between Yichang and Wuhan, water transport is 54 km longer than rail, and it is 87 km longer on the lower reaches between Nanjing and Shanghai. If we

lengthen the transportation distance and compare the entire distance of water transport with rail, then the monopoly conditions in distance in individual segments of Chang Jiang water transport almost disappear. See Table 2 below.

Table 1. A Comparison of Water Transport and Rail: Transport Distances Between Major Ports (Stations) on the Chang Jiang (in Kilometers)

<u>Route</u>	<u>Water Distance</u>	<u>Rail Distance</u>	<u>Water Distance Compared to Rail Distance (\pm)</u>
Chongqing-Yichang	648	1,143	-495
Yichang-Wuhan	626	572	+ 54
Wuhan-Huangshi	143	124	+ 19
Huangshi-Wuhu	494	1,403	-909
Wuhu-Nanjing	96	131	- 35
Nanjing-Shanghai	392	305	+ 87

Table 2. A Comparison of Water Transport and Rail Transport Distances Between Chongqing and Ports (Stations) on the Chang Jiang (in Kilometers)

<u>Route</u>	<u>Water Distance</u>	<u>Rail Distance</u>	<u>Water Distance Compared to Rail Distance (\pm)</u>
Chongqing-Wuhan	1,274	1,279	- 5
Chongqing-Huangshi	1,417	1,403	+ 14
Chongqing-Wuhu	1,911	2,160	-249
Chongqing-Nanjing	2,007	2,103	- 96
Chongqing-Shanghai	2,399	2,408	- 9

From Table 2, we can see that in the entire shipping distance from Chongqing to Wuhan, the water transport route is only 5 km longer than the rail route; and in the entire shipping route from Chongqing to Shanghai, there is only a 9-km difference. Yet because the price of water transport was set under monopoly conditions, the transport cost for the upper-reaches zone, which is included in the full route from Chongqing to Wuhan, is twice as high as for the railroad and the transport costs for the middle reaches zone is about equal to that of the railroad, thus making the cost of water transport for the whole route from Chongqing to Wuhan 50 percent higher than for the railroad. Added to this is the fact that water transport is slow and has many transshipping changes accompanying them, so that the rehandling fees are two to three times greater than they are for the railroad. Therefore, when we compare water transport costs with rail shipping costs for the zones of the upper and middle reaches, water transport is really in an inferior position. The consequences resulting from this inferior position are extremely grave.

First, it leads to changes in the supply and demand relationship between the water and rail modes of transportation and the cargo shipper. To take the

transfer of goods out of Sichuan as an example, in 1982 the water transport traffic out of Sichuan using the Chang Jiang was only 1.1 percent that of the rail traffic out of Sichuan. Second, seen from the standpoint of traffic distribution within Chang Jiang navigation as a whole, in 1982 the upper and middle reaches of the Chang Jiang accounted for only 7.32 percent of the total goods shipped on the Chang Jiang (of this total, the upper-reaches zone accounted for 2.93 percent and the middle-reaches zone for 4.39 percent). Because the Chang Jiang uses shipping prices set by zone, to a certain extent this blocks the nonstop upstream shipment of goods. In 1982, nonstop traffic was only 4.56 percent of the total traffic shipped on the Chang Jiang. And this part of the traffic mostly consisted of materials shipped in and out of Sichuan. Sichuan's production of grains like paddy rice and rapeseed seed is first in the nation; it has abundant mineral resources of many kinds, particularly large, extensive and easy-to-extract deposits of iron ore. Very large quantities of grain and iron ore are transferred out. Most of the industrial products for everyday use that are transferred into Sichuan come from Shanghai, but it seems that most of the traffic of these goods are carried by rail. Since the establishment of the People's Republic and following state investment in and administration of the Chang Jiang, the section of the upper reaches between Chongqing and Yichang can now handle ships in the 2,000-ton class and above, creating an annual carrying capacity of approximately 13 million tons, but the current utilization rate is only 7 percent. Consequently, the Chang Jiang has not given full play to its role as the major water transport artery of the three southeastern provinces. Seen from the angle of nonstop transportation, the upper zone of the Chang Jiang is like a clot in that major artery, the Chang Jiang, and causes water transportation in the middle and upper reaches of the river to appear to face abandonment. We cannot say that the creation of this phenomenon was uninfluenced by transport prices.

II

Another important reason why China's water transport prices are set by zones is the specific cost for different water transport regions. The transportation prices of the upper, middle and lower reaches of the Chang Jiang are like three commodities of the same use value but with a great disparity in actual value. Of course, cost is an important basis for determining price, but I feel that when we consider making cost a primary basis for determining price, it should only be with the prerequisite that the specific transportation cost for water transport under its worst conditions are lower than the average transportation costs for the railroad and then the specific costs for water transport will be able to be the main basis for prices set by zone. This is because, first, only with this prerequisite can water transport maintain a rational price parity relationship with railroads on the national scale; second, "if demand is extremely fierce, and as a result if it does not go down when prices are regulated by the value of commodities produced under the worst conditions, then those commodities that are produced under the worst conditions determine market value. This situation can only occur when demand surpasses the usual demand or when the supply is lower than the usual supply. Last, if the number of commodities produced is larger than the number of commodities that can find a market at a medium market value, then this commodity produced under the best conditions regulates the market price." ("Collected

Works of Marx and Engels Vol 25, p 200.) China's present situation is that the specific transport costs for the upper and middle reaches of the Chang Jiang are all higher than the average transportation costs of the rail sector and so the prerequisite described above does not exist. From the preceding analysis we can see that even if we dismiss the effect of factors such as the distribution of productive forces, the shift in shipping traffic demand on the upper and middle reaches of the Chang Jiang is extremely evident. Therefore, I feel that transportation prices for the upper and middle reaches of the Chang Jiang can only take the average transportation costs of the sector as the main basis to compete with rail transportation prices.

Seen from the angle of competition, one important mark of modernization, representing social progress, is the multiplication of modes of transportation existing along one navigation route or in one zone. Consequently, even if competition between various modes of transportation is unavoidable under socialist conditions, this kind of competition has points of difference with capitalist competition: it is not spontaneous competition that takes the destruction of a certain mode of transportation and a certain transportation enterprise as a condition, but rather it is a manifestation of changes in the objective conditions on the basis of the state's plans, which constantly restructure the technological policies and price policies of the communication and transportation industries, that is, adjusting the rational division of labor and the comprehensive utilization of various modes of transportation through a transportation price lever in order to meet the requirements of a constantly developing national economy. Consequently, we must study the conditioning role of competition between various modes of transportation under socialist conditions in the formation of water transportation prices. The existence of competition is a direct prerequisite for the formation of commodity market prices. Just as Marx said, "Different individual values must equalize, as one social value, the market value mentioned above. And to this end we must have some form of competition between producers of the same kind of commodities." (Ibid., pp 201-202.) Preceding this section of the discussion, Marx pointed out, "On the one hand, market value should be seen as the average value of a commodity produced by a sector and, on the other, it should be seen as produced under the average conditions of a sector and forming a specific value for that commodity of that sector's large-quantity products." (Ibid., p 199.) Speaking of the transportation price system for the Chang Jiang navigation zones, the one recognized by society is only the social value of water transport, that is, "the average value of a commodity produced by a sector." Applying that to the water transportation sector, the social value of water transport can only be embodied by having unified transportation price forms.

III

I feel that the first step in restructuring China's currently implemented price-setting system by zone for water transport could be first to restructure the transportation price system and structure for the Chang Jiang navigation zones, with concrete methods being based on two principles:

First, implement unified transportation prices for routes that are comparable with those of the railroad, and implement a special monopoly price for routes

that are not comparable with those of the railroads. Create a Chang Jiang transportation price system that makes unified prices primary and special monopoly prices secondary.

Second, raise short-distance transportation prices and lower long-distance prices as appropriate. In accordance with the special characteristics of changes in water transportation costs, implement a transportation price structure that is fairly broad and that increases gradually as the distance becomes shorter and decreases gradually with the length of the distance.

The advantages of this restructuring are:

1. The coexistence of two price forms appears complicated but is actually easy to carry out. A unified transportation price uses the average transportation costs for the Chang Jiang navigation zone as its basis and so the level of transportation prices is rather low. The special monopoly price, then, is determined by adding, to varying degrees, the transportation costs of the upper and middle reaches of the Chang Jiang over and above the basic unified transportation price and so the transportation price level is rather high. Using a unified transportation price for navigation routes that are comparable to rail routes requires that we proceed from the standpoint of seeking overall benefit and make full use of water transport in order to allow it to achieve a fairly strong competitive capability, to draw in a large number of goods and to build a foundation for the long-term development of water transportation. Using a special monopoly price for navigation routes that are not comparable to those of the railroad requires that we rationally compensate transportation costs for the upper and middle reaches of the Chang Jiang in order to guarantee that water transport obtains the income differential, with the prerequisite that we maintain rational parity prices with other modes of transportation.

2. Raise the price of short-distance transportation in order to allow a linking up of the short-distance transportation price levels for water transport which are directly under the state and the long-distance transportation price levels of local water transport. Then local water transport will not lose its competitive capability due to the relatively low unified transportation prices of water transport directly under the state, and we will protect the profits of local water transport. At the same time, parcel out short-distance shipping (for example, less than 100 km) to local water transport to promote its development. By raising the price of short-distance transportation we can also avoid the roundabout transporting of goods back to their origin. By lowering the price of long-distance transport, we can make full use of the advantages of "length, weight and size and the large economies of scale" of water transport that is directly under the state.

3. Little non-stop traffic in the Chang Jiang navigation zone results in a situation where the overall level of transportation prices formed after balancing the rather low unified transportation level against the rather high special monopoly price cannot be lower than the currently implemented general level of transportation prices. In this way we can assure that state finance does not lose income.

There is one point of view that holds that the basic reason for the imbalance in price parities between China's water transport and its rail transport is due to the unbalanced proportion of state investment in rail and water transportation. Consequently, we should increase investment to harness the Chang Jiang, raise the extent of the Chang Jiang's artificial "channelization" and lower the costs of river transportation. This reverses the basic trend in the imbalance in price parities for rail and water transportation, and an article on just transportation prices cannot solve the basic question. The correct points in this view are: in the first place, the role of a price lever is limited in dealing with the whole national economy, and in the second place, under China's present conditions, the quality of production conditions for an enterprise hinges to a very large extent upon the state's investment policy and not completely on the condition of the enterprise itself. But I feel that to create rational water transportation pricing we must both get at the root of the problems and also get at the symptoms. We not only must improve the navigation channel conditions in the upper reaches of the Chang Jiang through state investment but must also create the conditions for the development of water transportation itself through restructuring the principle of setting prices for water transportation by zones. Seen from this angle, restructuring the setting of prices for water transportation by zones has a pressing and immediate significance.

12452

CSO: 4006/745

TRANSPORTATION

SHAANXI DEVELOPS ITS CIVIL AVIATION

Xi'an SHAANXI RIBAO in Chinese 12 Aug 84 p 2

[Article by Ning Yeying [1337 2814 5391]: "Rapid Development of Shaanxi's Civil Aviation"]

[Text] During the 35 years following liberation, Shaanxi has developed its civil aviation system from scratch and has become the hub of aviation in northern, northwestern and northeastern China today. It has direct flights to 22 major cities in China and unscheduled chartered flights to Hong Kong. The total mileage of its routes amounts to more than 23,470 km; the annual rotation volume of freight transport, more than 23.80 million ton-km; the annual volume of passengers handled, more than 300,000 person-times.

In the early post-liberation period, Shaanxi had only the Xi'an Airport to handle several weekly flights from Beijing and Chongqing, and the aircraft used by its civil aviation system were small in size and had a small loading capacity. In October 1958, Shaanxi had its first An-2 aircraft and opened its first domestic route between Xi'an and Yan'an. Two more domestic routes were added -- one between Xi'an and Yuling in 1959 and one between Xi'an and Ankang in 1965. By 1965, the mileage of its routes increased to 665 km and the annual rotation volume of freight transport to 400,000 ton-km. Between the time when the "gang of four" was crushed and 1979, routes from Xi'an to Beijing, Shanghai, Chongqing and Chengdu were opened, and the total mileage of its routes reached more than 12,200 km. Since the 3d Plenary Session of the 11th Central Committee, Shaanxi has bought large passenger planes and run direct flights between Xi'an and Guangzhou, Kunming, Lhasa and Urumchi, thereby increasing the total route mileage to more than 23,400 km. At present, besides the system's own flights to other provinces (regions), flights operated by the Civil Aviation General Administration (CAAC) go to Xi'an from Beijing, Shenyang, Shanghai, Guangzhou and Chengdu. During the peak transport season every year, the Xi'an Airport handles an average of more than 40 landings and takeoffs of aircraft of various models a day.

Shaanxi's civil aviation system has a task force exclusively for specialty flights. Since 1961, it has been assigned to such specialty missions as sowing seeds for afforestation, planting grass, sowing water rice seeds, spraying insecticide, applying fertilizer, conducting aerophotography, testing magnetic fields and engaging in artificial precipitation. It had flown almost 1,100 hours in 1982 and has achieved great success in assisting Shaanxi's industry and agriculture.

The Xi'an Airport has undergone renovation many times since liberation. Its dirt runway before liberation is now made of cement and is more than 2,000 meters long and 45 meters wide and can handle the landings and take-offs of aircraft of all models below the Trident. This airport has fairly complete equipment for communications, navigation and duty safety, thereby becoming one of the major air bases in northwestern China for civil aviation and aircraft maintenance.

Along with the construction of our national economy and the development of Shaanxi's tourism, rapid growth is bound to appear in this province's civil aviation system. The state has approved the project of building a modern international airport at Xianyang and the procurement of new large passenger aircraft. In 3 to 5 years, the total rotation volume of freight transport will be doubled and redoubled.

12730

CSO: 4006/765

TRANSPORTATION

GUANGDONG DEVELOPS HIGHWAY CONSTRUCTION

Guangzhou YANGCHENG WANBAO in Chinese 12 Aug 84 p 1

[Report by Zou Qiming [6760 0796 2494]: "Funds Widely Sought for Highway Construction"]

[Text] Guangdong Province has made gratifying achievements in widely seeking financial resources for the construction of its highways and bridges.

In recent years, Guangdong has changed to the point of not relying on state appropriations as the only source of financial support for the construction of its highways and bridges. Administrations at the provincial, county, district and township levels have adopted such methods as importing foreign funds; securing bank loans; appropriating funds from county-, district- and township-operated enterprises; and collecting funds from specialized, individual and farming households and accepting donations from overseas Chinese and residents of Hong Kong and Macao in order to deal better with the shortage of funds, thus promoting the development of highway construction at a high speed. Between 1980 and 1983, Guangdong Province completed 497 big or small bridges and 2,523 km of newly built or rebuilt highways. It has never happened at any time in the past that such an achievement could be made in a short period of merely 4 years.

Most of these construction projects were carried out around Guangzhou and the Shenzhen, Zhuhai and Shantou Special Economic Zones. In 1982, the departments concerned imported foreign funds and secured bank loans to invest 130-plus million yuan in the construction of four bridges -- Sanhongqi, Rongqi, Xijiao and Shakou -- on the Guangzhou-Zhuhai Highway. Two of them are now open to traffic, and the last one is expected to be completed by the end of November this year.

The 140-plus-km highway between Guangzhou and Shenzhen, which had been a narrow road made of dirt and sand, has been rebuilt into a 12-meter-wide asphalt highway with two large bridges on it. One of the bridges, the Zhongtang Bridge, has been opened to traffic, and the other, the Jiangnan Bridge, will be completed in late September. The Shenzhen-Huizhou Highway, the Pingshan (in Huizhou)-Longgang (in Shenzhen) Highway and the Shantou-Fenshuiguang (in Fujian) Highway, which are roads linking Shenzhen and Shantou to eastern Guangdong and Fujian, have been improved by widening, curve cutting and asphalt paving.

In addition, all counties, districts and townships have raised funds to build a large number of countryside highways and bridges, thus making the "blood capillaries" of this province's transportation net radiate in all directions. According to the statistics ending in April, the number of districts in this province which are not yet open to traffic has reduced from 61 in 1980 to 30. The Shiqiao-Nansha Highway built in Panyu County has enabled automobiles to reach the sand field on the waterfront, where the residents saw them for the first time in their lives. In Jiexi County, rocks from the mountains have been used to build several tens of stone-arch bridges.

To move the development of highways forward, Guangdong Province has implemented a flexible measure -- permitting the collection of tolls for roads and bridges built with loans or funds raised by localities or individuals so that the investors can receive their due profits.

Two months from now, the construction of Luoqi Bridge, currently the highest and longest bridge with the largest span in this province, will commence and so will the improvement of the sections of the Guangzhou-Zhuhai Highway in the city of Zhongshan and the city of Zhuhai. In addition, the planning or construction of five or six bridges with a length over 100 meters will start. The most eye-catching of all is Juijiang Bridge on the Guangzhou-Zhanjiang Highway, which will be built with imported funds. Serious negotiations with a foreign investing firm are now under way.

12730
CSO: 4006/762

TRANSPORTATION

UNIFIED FARE FOR CHINESE PASSENGERS ON DOMESTIC FLIGHTS IN CHINA

Guangzhou YANGCHENG WANGBAO in Chinese 13 Aug 83 p 3

[Article: "Unified Fare for Domestic Flights in China Implemented--Good News to Residents of Hong Kong and Macao, Overseas Chinese and Chinese with Foreign Citizenship"]

[Text] According to a report in Hong Kong's XINWANBAO, residents of Hong Kong will be able to purchase low-price tickets for China's domestic flights to Hong Kong before long.

As the news says, residents of Hong Kong may buy their tickets, which are 40 percent cheaper than before, through the Civil Aviation General Administration (CAAC) or the Hong Kong-China Travel Service.

The procedures stipulate that residents of Hong Kong, Macao and Taiwan and overseas Chinese may buy their tickets directly through CAAC or the Hong Kong-China Travel Service, while aliens of Chinese blood must go through the Hong Kong-China Travel Service to procure their tickets. However, the latter are also entitled to the low price.

Earlier, there had been a news report pointing out that all Chinese, whether living in China or abroad, were subject to a unified fare when taking domestic flights in China. The unified price would probably be 40 percent off the current amount.

Since that was publicized, many residents of Hong Kong and Macao and overseas Chinese have made inquiries with CAAC and the Hong Kong-China Travel Service about whether the low-price tickets are available now.

According to the people concerned, air fares for domestic flights in China will certainly be unified, but the exact time of implementation has not yet been decided because there is a lot of specific work to be completed. It is expected that CAAC and the Hong Kong-China Travel Service will make an announcement concerning this matter before long.

12730

CSO: 4006/762

TRANSPORTATION

STATISTICS ON FUJIAN BRIDGES

Fuzhou FUJIAN RIBAO in Chinese 19 Sep 84 p 4

[Article bt Lin Zhaogui [2651 0340 2710]: "Bridges"]

[Text] In Fujian, bridge building is closely related with the development of communications facilities, of which highway bridges account for the biggest proportion.

According to statistics, there are 6,643 highway bridges throughout Fujian Province totaling 175,246 meters in length or 3.9 times greater than in the early period after liberation. Among them, 1,566 bridges or one-sixth of the total were built after the 3d Plenary Session of the 11th CPC Central Committee.

During the early period of liberation, there were only a few reinforced concrete bridges in Fujian Province with makeshift wooden bridges for the most part keeping the traffic open. On large rivers such as the Wulong River and the Jiulong River, only simple and crude ferryboats were used to make the crossing. At that time, there were 48 highway ferries in the entire province.

After 35 years of construction, Fujian has not only built more than 30 large bridges of different structures and elegance on the tributaries of the Minjiang River and the three main tributaries of Shaxi, Jianxi and Futunxi--a task inconceivable in the past--but has also popularized the techniques of building stone arches, hyperboloid arches, box arches, pointed arches and rigid-frame bridges all over the province with success everywhere. The famous Jinshan Bridge in Huaan Township is a stone-arch bridge with a 99-meter span. The Guokeng Bridge spanning the Beixi tributary of the Jiulong River and the Minqing Bridge over the mainstream of the Minjiang River were built with hyperboloid-arch and box-arch techniques. Today, the number of stone-arch and reinforced concrete bridges built in Fujian in the main accounted for 97 percent of the permanent bridges and the number of highway ferries has been reduced to 10, including those to coastal islands.

12662

CS0: 4006/44

TRANSPORTATION

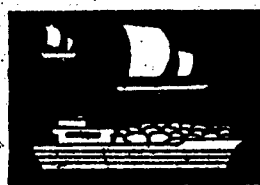
STATISTICAL CHART ON FUJIAN'S TRANSPORTATION DEVELOPMENT

Fuzhou FUJIAN RIBAO in Chinese 22 Sep 84 p 1

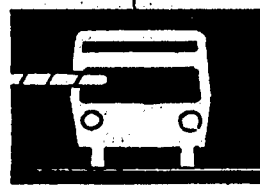
[Text] Statistical Chart (8) on Fujian's National Economic and Social Development in 35 Years Since Founding of New China (Figures in the Chart Provided by Fujian Statistics Bureau)



Railways



Inland Rivers



Highways

	1949	1978	1983	Multiple Increase Comparing 1983 with 1949
Railways	0 km	1,012 km	1,081 km	
Highways	1,853 km	29,109 km	34,445 km	17.59 times
Inland rivers	2,636 km	3,629 km	3,875 km	0.47 times

12662

CSO: 4006/44

TRANSPORTATION

CHANGES IN SHAANXI'S RAILWAY TRANSPORTATION SYSTEM

Xi'an SHAANXI RIBAO in Chinese 29 Jul 84 p 2

[Report by Kang Zhongyin [1160 0112 1377]: "Enormous Changes in Shaanxi's Railway Transportation System"]

[Text] The railway transportation system of Shaanxi has undergone an enormous change during the 35 years following the founding of our People's Republic. As of 1983, the mileage of serviceable railways in the whole province was 3.9 times more than that in 1949, and the number of locomotives and passenger cars owned by the system had increased 5.2 times and 4.6 times, respectively, since 1949. On the eve of liberation, Shaanxi had only two railways--the section of the Lianyungang-Lanxhou Railroad, ending at Tianshui and the feeder line between Xianyang and Tongchuan--of a combined length of 550 km, only 447 of which were open to traffic.

After liberation, Shaanxi rapidly proceeded with its projects of repairing old railroads and building new ones. Repairs of the railroad between Baoji and Tianshui started in 1950 and ended in 1954, and the survey, planning and repairs of the railroad between Baoji and Changdu were commenced in 1952 and finished in 1956. The completion of the latter project has refuted the conclusion drawn before liberation that no railroad could ever be built through the mountainous region of Qinling. The first of its kind in China, an electric railway was built between Baoji and Fengzhou and open to traffic in 1961. The system has not only increased the number of main and feeder railroads in Shaanxi from 2 before liberation to 10 today but has also spread the positioning of its railways which used to be confined in the Guangzhong area before liberation to the Weibei Plateau and the mountainous region in South Shaanxi. Starting from scratch, it has reopened 300-plus km of old railroads and built 800-plus km of electric railways.

During the past 35 years, the number of railroad stations in Shaanxi has increased from 35 before liberation to 171 today. Newly built are the Xi'an West Station, the largest freight transport station in this province, and the Xi'an East Station and the Baoji East Station, both large marshaling stations. The Xi'an Station, which handles the largest volume of passengers in this province, has undergone repairs and renovations several times, and the area currently occupied by it is 25 times larger than that before liberation. At present, this station is being expanded on a scale surpassing any of the

previous ones. When the expansion is completed, the passenger waiting area will be enlarged by 3.6 times over the present area. Since the 3d Plenary Session of the 11th Central Committee, Shaanxi's railroad transportation system has grown rapidly. The volume of passengers handled is increasing at an annual rate of 7.5 percent and that of freight transport at annual rate of 4.2 percent. In 1983, it handled 27.25 million person-times of passengers and transported 25.81 million tons of cargo, representing an increase of 600 percent and 2,500 percent, respectively, over 1949.

12730

CSO: 4006/765

TRANSPORTATION

CONSTRUCTION BEGUN ON GUANGZHOU-SHENZHEN RAILWAY

Guangzhou NANFANG RIBAO in Chinese 9 Sep 84 p 1

[Article by He Shaoying [0149 1421 5391]: "The Electrification Project of the Double-track Guangzhou-Shenzhen Railway Has Started Construction in an All-round Way; The First-phase Project Will Be Completed Next Year According to Plan and the Passenger Transport Capacity Will Double"]

[Text] The electrification project of the double-track Guangzhou-Shenzhen Railway has recently entered the all-round construction stage. The five projects included in the first-phase construction have been completed and put into operation and the construction of the double track covering 26 km between Guangzhou and Xiayuan and the construction of eight other railway stations are being carried out in an all-round way. Modernization planning for the construction and design of 13 medium-size and small railway stations and plans for the electrification, dispatching control and operational management under the second- and third-phase projects have been completed.

The construction of the 147-km Guangzhou-Shenzhen Railway was first started in 1907. In spite of efforts made by the state on several occasions to revamp this railway after liberation, transport capacity was still far from compatible with the needs of developing our country's foreign trade and tourism because of backward equipment. At the end of last year, the State Council and the Ministry of Railways approved of the establishment of the Guangzhou-Shenzhen Railway Company to take charge of the double-track electrification of the Guangzhou-Shenzhen railway by utilizing self-financed capital and loans.

The transformation project will adhere to the principles of investing by stages, building by stages and drawing benefits by stages. The first-phase project is to transform the 26-km line between Guangzhou and Xiayuan into a double-track railway, revamp the 13 stations between Xiayuan and Shenzhen, expand the Shenzhen North Station and rebuild the joint inspection shed at the Guangzhou railway station handling Guangzhou to Kowloon non-stop trains into a permanent building. The first-phase project is expected to be completed next year and the passenger transport capacity along the whole line will double and the freight transport capacity will increase 50 percent after it is put into operation; the second-phase project is to convert the 120-km section between Xiayuan and Shenzhen into double tracks; and the third-phase project is to rebuild the entire section between Guangzhou and Shenzhen into an electrified railway.

A responsible person of the Guangzhou-Shenzhen Railway Company pointed out happily to this reporter that the central authorities asked that the double-track electrification project of the Guangzhou-Shenzhen Railway be completed by the end of 1986 and the entire line be completely electrified by the end of 1987. We are fully confident that this task will be fulfilled ahead of schedule, thus ensuring both quality and quantity.

12662

CSO: 4006/44

TRANSPORTATION

BRIEFS

FLOODED SICHUAN-XIXANG HIGHWAY REOPENS--The Kangbei Section of the Sichuan-Xixang Highway, whose traffic had been interrupted by flood for 13 days, for 13 days, was repaired and reopened to traffic on 27 July. On the afternoon of 13 July, the largest flood in 60 years hit the Luhuo-Ganzi section of the Sichuan-Xixang Highway, destroying its bed at five locations for a total length of 940 meters and knocking down the utility poles along it. Immediately after the disaster, Luhuo Xian's CPC Committee, People's Government and People's Armed Forces organized 900 civilians and militiamen and rushed them to the site to deal with the emergency. Technicians were sent by the departments of road building, water and electricity, posts and telecommunications and construction and transportation to supervise road building and the erection of power transmission lines. Telecommunications resumed at 6 o'clock on the same afternoon. For road building, the rescue command adopted the method of contracting the job to villages in the area by sections in order to accelerate the progress. After the rescue force opened a road on a cliff 50 meters high and conducted a hard fight with the situation, the highway was finally reopened to traffic. [Text] [Report by Wu Dahe [0702 1129 0735]: "The Kangbei Section of Sichuan-Xixang Highway Repaired and Reopens to Traffic"] [Chengdu SICHUAN RIBAO in Chinese 28 Jul 84 p 1] 12730

CSO: 4006/765

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

SHIJIE JINGJI REVIEWS CEMA ECONOMIC CONFERENCE

HK061405 Beijing SHIJIE JINGJI in Chinese No. 8, 10 Aug 84 pp 58-62

[Article by Wang Wenxiu [3769 2429 0208] of the World Economic and Political Institute of the Chinese Academy of Social Sciences: "On the Top-Level Economic Conference of CEMA"]

[Text] A top-level economic conference of the member countries of the Council for Mutual Economic Assistance was convened in Moscow from 12 to 14 June this year. The Cuban delegation was led by political bureau members, while the delegations of other member countries were led by party general secretaries or party first secretaries. The last top-level economic conference of CEMA was convened 15 years ago, in 1969. The principal task of this conference was to formulate long-term guiding principles for economic cooperation among CEMA countries up to the year 2000. Although some success has been achieved since its establishment 35 years ago, CEMA has many problems. Various CEMA countries are now undergoing crucial changes; so it is natural that the convening of the top-level economic conference of CEMA has attracted attention from press circles all over the world.

I

A grim situation faced this top-level economic conference of CEMA. In 1983, although the economic situation of the Soviet Union and the Eastern European countries saw some improvement, there were still many problems. The national income and the industrial output of the CEMA countries increased by 3.2 percent and 4.2 percent respectively from 1982 to 1983, against the increases of 2.2 percent and 2.3 percent respectively from 1981 to 1982. Thus, both their national income and their industrial output grew faster in 1983 than in 1982. In 1983, the national incomes of various CEMA countries grew at the following rates: The Soviet Union, 3.1 percent (against a planned growth of 3.3 percent); Poland, 4.0 to 5.0 percent (planned growth rate: 2.0 to 2.5 percent); the German Democratic Republic, 4.4 percent (planned growth rate: 4.2 percent); Romania, 3.4 percent (planned growth rate: 5.0 percent); Bulgaria, 3 percent (planned growth rate: 3.8 percent); Czechoslovakia, 2.2 percent (planned growth rate: 2.0 percent); and Hungary, 0 to 0.5 percent (planned growth rate: 0.5 to 1.0 percent). Thus, it can be seen that for Poland, the German Democratic Republic, and Czechoslovakia, national income growth exceeded planned growth targets; moreover, for Poland and Czechoslovakia, this

was their first recovery since 3 or 4 years ago. The Soviet Union, Bulgaria, and Hungary did not attain their planned national income growth targets.

National income growth in 1971-1983 period in the Soviet Union and Eastern European countries (percentage figures):

	<u>Average Annual Growth</u>		<u>Growth Over Previous Year</u>			
	<u>1971-1975</u>	<u>1976-1980</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Bulgaria	7.9	6.1	5.4	5.1	4.2	3.0
Hungary	6.5	3.4	-0.6	2.5	2.3	0-0.5
German Democratic Republic	5.4	4.1	4.6	5.0	2.5	4.4
Poland	9.8	1.2	-6.0	-12.0	-5.5	4.0-5.0
Romania	11.5	7.0	3.4	2.5	2.6	3.4
Soviet Union	5.8	4.3	3.8	3.1	2.6	3.1
Czechoslovakia	5.6	3.7	3.3	-0.6	-0.3	2.2

(Source: "Statistical Yearbook of CEMA Countries," 1980, 1982, and 1983, published by the CEMA Secretariat; various countries' national economic statistics yearbooks of the relevant years; various countries' bulletins on the implementation of national economic plans, 1983)

Generally speaking, the improvement of the economic situation of the Soviet Union and the Eastern European countries in 1983 has temporarily checked the trend, appearing since the 1970's, of a continuously declining economic growth rate. However, the Soviet Union and the Eastern European countries must still make tremendous efforts if they want to keep up the trend of economic growth which appeared in 1983. The reasons are as follows:

First, there is a shortage of energy resources in CEMA countries. According to estimates, if the national income of the European CEMA countries is to grow at an average annual rate of 3 to 4 percent in the 1980's, their demand for energy resources will have to increase by at least 30 to 40 percent. To make available such a greatly increased amount of energy resources is very difficult for the Eastern European countries, which possess only 3 percent of the energy resources, and 0.3 percent of the oil resources possessed by all CEMA countries. The Soviet Union is rich in energy resources, but their distribution is extremely uneven. Mineral sources which are near industrial regions and which can be easily excavated obviously have been greatly depleted, while a shift of energy bases toward the eastern and northern regions involves increased investment and difficulties in transportation. Thus, there is also a developing shortage in the supply of energy resources.

Moreover, a considerable proportion of the energy resources must be set aside for export to Western countries to earn foreign exchange, so that it is very difficult to satisfy the increased demand of the Eastern European countries.

Second, agricultural production is not stable in various CEMA countries, harvests are considerably affected by weather. In the Soviet Union, harvests have been poor for four consecutive years and there has been a shortage of food. Self-sufficiency in grain production could not be achieved, and every year 30 to 40 million tons of grain have had to be imported. Last year grain output was over 190 million tons, the best figure since 1978. However, this still falls considerably short of the annual grain output target of 239 million tons as stipulated in the current 5-year plan. Poland and Czechoslovakia also cannot attain self-sufficiency in grain. Poland imported 7.10 million tons of grain in 1981 and 4.95 million tons in 1982, while Czechoslovakia imported 0.92 million tons and 1.33 million tons respectively in 1981 and 1982. In agricultural production, Bulgaria, Hungary, and so on, also cannot ensure good harvests in times of drought or excessive rain. Poor harvests can still have considerable effect on their national economic development.

Third, the CEMA countries generally lack funds for construction. Some of them are incurring considerable external debts. According to statistics, the Eastern European countries' debts owed to Western countries amounted to 67.4 billion dollars in 1981 and 63.43 billion dollars in 1982. In 1983, as in 1982, most Eastern European countries achieved a surplus in their trade with Western countries, with exports exceeding imports, so that they could repay part of their loans with interest, resulting in an improvement in their international balance of payment. However, some countries have been incurring excessively heavy debts, so that under the condition of a lack of funds, contradiction has arisen between the repayment of loans and the undertaking of construction, and national economic development has been unavoidably affected.

For the Soviet Union and the Eastern European countries, their lack of funds is also reflected in the continuous decline in the average annual rate of increase in national economic investment, as shown in the following table:

Average annual rate of increase in national economic investment for the Soviet Union and the Eastern European countries (percentage figures):

	<u>1971-75</u>	<u>1976-80</u>	<u>1981-82</u>
Bulgaria	8.6	4.0	7.0
Hungary	7.0	2.4	-4.1
German Democratic Republic	4.8	3.4	-1.3
Poland	17.5	-3.0	-17.5
Romania	11.5	8.5	-5.1
Soviet Union	7.0	3.4	3.7
Czechoslovakia	8.0	2.8	-3.1

(Source: "Statistical Yearbook of CEMA Countries," 1983, published by the CEMA Secretariat)

Since the latter half of the 1970's, the average annual rate of growth in investment has generally declined in these countries. In the 1981-82 period, the average annual rate of growth in investment sharply declined in the majority of these countries, and negative growth even appeared; Bulgaria was an exception, achieving a relatively rapid increase in the average annual rate of growth in investment. The small amount and poor results of investment will inevitably hinder a rapid national income growth.

A "Comprehensive Program for Economic Unification of CEMA Countries" was adopted at the last top-level conference of the CEMA countries according to a proposal by the Soviet Union. Although 15 years have passed since the adoption of that "Program," many major economic questions it mentions have remained unresolved; for example, the question of a guaranteed supply of fuels, raw materials, machinery, and equipment to the national economies of CEMA countries; the question of satisfying residents' needs for manufactured consumer goods and food; and so on. How well has that "Program" been implemented? This was the question that will be discussed first at this top-level economic conference.

In the early 1970's, all European CEMA countries put forth the guiding principle that the method of developing the national economy by extension should be replaced by the method of intensive development, so that productive efficiency could be raised. How can the implementation of this guiding principle as well as scientific and technological advance be quickened? This was also a question to be discussed at this top-level conference.

There are many differences between CEMA countries on various questions, such as the principles governing the pricing of industrial and agricultural products, the development of economic relations with developed capitalist countries, the perfecting of economic mechanisms of CEMA, the methods of strengthening economic cooperation, and so on. How to overcome these differences was also a problem that had to be solved at this top-level economic conference.

II

No observers from certain countries had been invited, as in the past, to attend the 3-day top-level conference or the immediately following 38th (special) CEMA conference. The conferences were only for official member countries of CEMA, and speeches delivered at the conferences have not been published in newspapers or magazines.

Two documents of this top-level conference were finally published: 1) The "Declaration on Basic Guiding Principles Concerning the Further Development and Strengthening of Economic, Scientific, and Technological Cooperation Between CEMA Countries"; and 2) the "Manifesto on Safeguarding Peace and International Cooperation."

That "Declaration" states that at the present stage, the principal tasks of the CEMA countries in the economic realm and in the area of mutual cooperation

are: 1) Speeding up the transition toward the intensive development of the economy; improving economic results by perfecting the social production structure and by all other possible means; 2) developing social production, strengthening the social material and technological foundation, and upgrading the basis of welfare for the people; 3) improving product quality, increasing product variety, and quickening the development of new generations of products; 4) tapping potentials for exporting, particularly potentials of industrial processing sectors in the first place; 5) achieving a satisfactory distribution of productive forces; and 6) quickening the process of making various member countries achieve the same level of development.

At this conference, various countries agreed that aside from individual planning they should also jointly formulate a 15-20 year comprehensive program for scientific and technological progress, and should take it as the basis for formulating unified scientific and technological policies in certain areas.

In view of the fact that currently the CEMA countries are still lagging behind the West in the electronics industry and machine-building industry, it was particularly reiterated at this conference that the development of the electronics industry, microprocessing technology, and robot-making technology must be quickened. The CEMA countries have now started to pay attention to the development of microelectronic technology; they now regard microprocessing equipment as the catalyst for scientific and technological progress and regard the accelerated development of microelectronic technology as a strategic task of the 1980's that must be urgently accomplished.

According to estimates by the Soviet Union, the economic benefit annually yielded by a robot can reach 8,000 to 12,000 roubles. The use of robots in production can bring new results: an increased intensity of production, the strengthening of rhythm, improved product quality, a reduced proportion of defective products, and so on. In particular, the results of using robots to replace manpower in operation will be more pronounced in those subprocesses or workshop sections where there are hazards to people's physical or mental health. The Soviet Union now has around 5,000 robots in operation. By the end of 1985, the total number of robots will reach several tens of thousands. It is alleged that in the 11th 5-year plan period, the development of robots will reach a stage where they will be extensively used in production. The CEMA countries can presently produce more than 150 varieties of robots. It is predicted that by 1990, the total number of robots in CEMA countries will reach 200,000.

At the conference, the CEMA countries were called upon to change the pattern of energy resources production in the future, to give priority to the development of nuclear power technology, and to use various categories of energy carriers. The CEMA countries are currently jointly formulating plans for building nuclear power plants up to the year 2000. In 1982, the installed capacity of nuclear power plants in CEMA countries was 22 million kilowatts; the energy generated amounted to 123 million kilowatt-hours, accounting for 7 percent of the total energy generated by all methods. By 1990, the installed capacity of nuclear power plants in Eastern European countries will reach 36

million kilowatts; this can be broken down into: Bulgaria, 4.76 million kilowatts; the German Democratic Republic, 9.59 million kilowatts; Poland, 4.88 million kilowatts; Romania, 3.44 million kilowatts; and Czechoslovakia, 8.52 million kilowatts.

To some CEMA countries, solving the problem of food supply "is not only of great socioeconomic significance, but is also of great political significance." At this conference, the vigorous development of agriculture and combined agricultural-industrial sectors as well as the strengthening of mutual cooperation in this realm are treated as tasks of prime importance. Among various mutual cooperation measures which will be adopted, the expansion of the material and technological base of agriculture and the food industry has been taken as a key task. Because various CEMA countries have established combined agricultural-industrial systems, cooperation and specialization in production will be extended in the areas of transportation, storage, the production of crop protection agents, and insecticides.

In future, the CEMA countries will also strengthen relations of cooperation in various sectors, such as the chemical industry, the production of consumer goods, communications and transportation, and so on. Only some of the things mentioned in the above-mentioned "Basic Principles" are being implemented; the majority still remain as mere ideas or aspirations. At the 38th CEMA conference, measures that must be adopted to implement various resolutions of the top-level economic conference were discussed.

III

Judging from the documents published after the top-level economic conference of CEMA, some of the problems and contradictions existing within CEMA have been resolved; but some have not, and some others are clouded by ambiguity. The following are some examples:

On the question of coordination in planning and policy formulation: After the 36th CEMA conference of 1982, the Soviet Union published an important article in "Pravda" while intensive preparations for the top-level conference of CEMA were being carried out. That article actually served to set forth the Soviet Union's basic principles for stepping up economic unification of the CEMA countries. The central ideas in that article included the following several points: First, the Soviet Union held that the general coordination of planning among CEMA countries was no longer adequate, and it was also necessary to "strengthen the coordination of planning through the coordination of policy formulation"; moreover, the coordination of policy formulation was an urgent task facing the CEMA countries, and on the basis of interdepartmental coordination in various countries, a series of important long-term problems concerning policy formulation must be solved; these problems included the coordination of overall policy formulation in the areas of investment and structure, the formulation of unified scientific and technological policies, and the determination of the common tasks, forms, and methods of perfecting various countries' national economic planning and management systems. Second, it was demanded that direct links be established between various departments,

various committees, various combined companies, and various enterprises in which the CEMA countries participated for the sake of cooperation, and that jointly-operated companies be established. It was held that this was an effective way of combining various countries' strengths and funds. Third, it was demanded that cooperation between the CEMA and other countries in the areas of science, technology, agriculture, food industries, consumer goods industries, communications and transportation, and so on, be extended. Some people in the Soviet Union also held that what was set forth in the CEMA program adopted in 1969, namely, the "Comprehensive Program for Economic Unification of CEMA Countries," had been basically accomplished, and "it is necessary to develop a new pioneering spirit" in strengthening the coordination of various countries' economic strategies.

Some countries, such as Romania, did not agree to the idea of "coordination of policy formulation," holding that it meant infringement on other countries' sovereignty. Romania stressed that formulating the general line of socialism, the form of socialism, the method of practicing socialism, and economic policies, was a matter of a country's sovereignty. The power of exercising leadership over economic matters and formulating economic policies should be an integral part of the system of a state where the planned economy plays a leading role. Under any circumstances, only the party and top leadership of a country should have the power to formulate guiding policies for the country's own economic development. Romania agreed to the way in which coordination in planning was being practiced by the CEMA countries, but did not agree to shelving the "Comprehensive Program for Economic Unification of CEMA Countries" and pursuing another scheme. It also held that under the prevailing conditions, it was unimaginable that certain basic powers and duties of planning should be handed over to some international economic organizations through the establishment of direct links, particularly direct links between planning departments. Hungary held that various member countries differed considerably in their economic management systems and differed in their pricing, financial, and budgetary systems, so that "concerning cooperation within CEMA, coordination in policy formulation can be attained only to a certain extent, and future cooperation should be based on the recognition of differences in objective conditions and interests."

The "Declaration on Basic Guiding Principles Concerning the Further Development and Strengthening of Economic, Scientific, and Technological Cooperation Between CEMA Countries," published after the top-level economic conference, reflects an attitude of compromise and ambiguity toward this issue. It states that the coordination of national economic planning is the principal means of establishing stable economic, scientific, and technological links between CEMA countries, but it also states that it was resolved at the conference that new measures will be adopted to strengthen coordination between all departments concerned in economic policy formulation. It appears that the countries concerned obviously differ in their attitude toward this issue.

On solving the problem of demand for and supply of fuels and energy resources, the "Comprehensive Program for Economic Unification of CEMA Countries" states: "In the 1971-73 period forecasts of demand for fuels and energy resources up

to 1990 and up to 2000 will be compiled and schemes for cooperation between those CEMA countries concerned will be put forth." Some 15 years have passed since the adoption of that "Program," but up to now no practicable scheme for solving the problem of energy resources supply has appeared within CEMA.

According to estimates made at the World Energy Conference, the European CEMA countries' reserves of mineral fuels that can be extracted account for 26 percent of the world total. The proportions of the world's total reserves that are found in CEMA countries are: nearly 50 percent for anthracite, 68 percent for lignite, 36 percent for natural gas, and over 11 percent for petroleum. These figures show that basically, for the CEMA countries, an adequate supply of energy resources can be ensured. The problem is that the distribution of fuel and power resources is extremely uneven; these resources are principally found in the Soviet Union. The Soviet Union possesses 90 percent of the known energy resources, including 91 percent of anthracite, 72 percent of lignite, 80 percent of natural gas, 94 percent of waterpower resources, and an overwhelming proportion of oil. Before 1980, the Eastern European countries' import of oil from the Soviet Union steadily increased. After 1980, the Soviet Union fixed its supply of oil to them at the 1980 level. In 1982, it cut its supply of oil to them. An adequate oil supply cannot be guaranteed; no wonder that at nearly every CEMA conference convened in recent years, the Eastern European countries have invariably raised questions about this matter, many of them demanding that the Soviet Union should speed up unification in this area. At a 1983 CEMA conference, a Soviet leader spoke on this matter; he said that in the future a continued supply of oil would be guaranteed as far as possible, but he said that whether the Soviet Union could achieve this depends to a great extent on how well other countries can provide it with products it needs.

This view of the Soviet leaders is more clearly expressed in the "Declaration on Basic Guiding Principles Concerning the Further Development and Strengthening of Economic, Scientific, and Technological Cooperation Between CEMA Countries" published after the top-level economic conference of CEMA. In order to get a continued supply of raw materials and energy resources from the Soviet Union, the Eastern European countries must continue to develop their own production and export structure, must adopt necessary measures in investment, and must undertake rebuilding work and technological innovation in industrial sectors, so that they can supply products needed by the Soviet Union, such as food, manufactured consumer goods, and certain categories of high-quality structural materials, machinery, and equipment which attain advanced world standards of technology. It appears that in future, the terms of exchange according to which the Eastern European countries obtain raw materials and energy resources from the Soviet Union will become even less favorable.

On the principles of pricing within CEMA: The Soviet leader claimed at the 35th CEMA conference that "The Soviet Union is supplying fuels and raw materials to fraternal nations at prices much lower than world market prices." According to the Soviet Union's calculations, by buying oil and oil products from the Soviet Union at these lower prices, the Eastern European countries

benefited by a savings of 15 billion roubles. However, the crux of the problem is that since the energy crisis occurred in the West, the oil price charged by the Soviet Union basically has changed in line with prices on the world oil market. Since 1975, instead of being adjusted once every 5 years as in the past, the oil price has been adjusted annually on the basis of the average price over the preceding 5 years. The price of Soviet oil has been rising quickly and greatly, while the prices of machinery, light industrial products, and agricultural products supplied by the Eastern European countries to the Soviet Union have risen much more slowly and by a much smaller amount. In order that they can continue to import oil from the Soviet Union, the quantities of commodities they supply to the Soviet Union must increase year after year. For example, in 1975, by exporting 1 ton of coal to the Soviet Union, Poland could obtain 0.9 tons of oil or 1,200 cubic meters of natural gas in return; however, by 1980, because of price changes, Poland could exchange 1 ton of coal for only 0.53 tons of oil or 670 cubic meters of natural gas. Before the energy crisis of 1973, the Eastern European countries enjoyed a surplus in their trade with the Soviet Union; since then, however, because of changes in the principles of pricing, they have been incurring deficits.

It was resolved at this top-level economic conference that the Soviet Union will supply oil to other CEMA countries at world market prices and the prices of agricultural products will also be raised.

To sum up, at this top-level economic conference of CEMA, many important economic problems were discussed and some resolutions on matters of principle were adopted. At present, the crucial question is whether practicable measures can be adopted to ensure implementation. It is not accidental that people have this kind of worry; for example, resolutions on many issues in the "Comprehensive Program for Economic Unification of CEMA Countries," put forth in 1969 and formally adopted in 1971, have not been implemented.

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[Article by Yang Xuezhong [2799 1331 1813] of Jilin University: "Korea's Achievements in Economic Construction and Outlook in the 1980's"]

[Text] The 1970's were the 10 years of Korea's gigantic achievements in socialist economic construction. Under the leadership of the Korean Workers' Party and government, and demonstrating the spirit of self-reliance and fighting hard struggles and penetrating deep into the three big revolutionary movements on ideology, technology and culture, the Korean people have achieved big progress in socialist economic construction, thus laying a firm material and technological foundation for the further development of the national economy. The people's standard of living, both materially and culturally, has made a marked improvement. Emerging before the Korean people are even more beautiful and bright prospects of socialism.

I. A Decade of Rapid Development (1971-1980)

According to statistics publicly announced by Korea, during the 1970-1979 period, the gross value of industrial output showed an average annual growth rate of 15.9 percent. By 1979, the gross value of industrial output had increased by 380 percent over 1970, of which the output of the means of production increased by 390 percent and that of the means of consumption increased by 370 percent.

During the 6-year plan period (1971-1976), the gross value of industrial output increased by 250 percent, averaging an annual increase of 16.3 percent. During the second 7-year plan period (1978-1984), industrial production continued to maintain a high growth rate. Compared with the preceding year, 1979 increased by 15 percent, and 1980, by 17 percent.

During the 6-year plan period, Korea's electric power industry, depending on its own abundant hydropower resources and coal resources, achieved rapid development. In 1970, Korea's power generation, calculated on an average per capita basis, was 1,184 kilowatt hours. In 1975, the volume of power generation was 170 percent of that of 1970. The motive power system of the whole country has been formed into a verified motive power network, and the motive power base was thus further strengthened. In the second 7-year plan period, Korea developed a mass movement to build medium-sized and small power

generating stations extensively in various localities, and the power generating capacity increased continuously. In 1978, its increase was 10 percent; and in 1979, 14 percent; power generation in the whole country was 60 billion kilowatt hours.

The excavation industries such as coal and ore mining also developed rather rapidly. Coal production fulfilled its 6-year plan 1 year and 4 months ahead of schedule, and continued to maintain a high growth rate during the second 7-year plan period. During the same period, production of iron ores made a large-scale increase, mainly due to expanding the Mao Shan [5399 1472] Mine, newly developing the Tai Tan [5377 3492] Mine, and rebuilding the De Xing [1795 5281] Mine, all of which are located in the western part of the country. In addition, modernized technological equipment was installed at Jian De [0494 1795] Mine and nonferrous metal mines were opened up in Yanggang Do and Chagang Do, thus forming a production base of nonferrous metals of the country. In 1976, Korea's steel and iron output was 4 million tons, fulfilling the iron and steel production targets of the 6-year plan. Compared with the preceding year, the 1978 iron and steel output increased by 27 percent. In 1979 output of rolled steel materials increased by 15 percent.

During the 6-year plan period, the production capacity of Korea's machine building industry was notably increased. It could produce 5,000-meter drilling machines, 300-horsepower bulldozers, 10 cubic-meter earth excavators, 50,000-kilowatt generators, and various kinds of motors and engines including 2,500 horsepower medium-speed engines and 3,000 horsepower highspeed engines. It was also able to build a large number of various kinds of large and small ships including freighters of the 14,000-ton and 20,000-ton classes. In terms of tonnage, ship-building increased by 400 percent. Concurrently, Korea greatly developed its electronics industry and automation industries.

Korea has in operation various heavy machinery production bases with plants which possess the latest modernized equipment and operate on an extensive scale including the Da An [1129 1344] heavy machinery complex, the Long Cheng [7893 1004] machine building joint enterprise, the 8 August Plants, and so forth. They produce large-size blast furnaces, large-size continuous-type sintering furnaces, coke-refining furnaces, converters, electric furnaces, synthetic towers, large-size air-blowers, oxygen separators, 400,000-kilocalorie freezers, 4,000 horsepower high pressure coal gas compressors, and other heavy machines sorely needed by the various departments of the national economy as well as whole-set equipment for plants.

[HK270917] In the 1970's, Korea had a complete assortment of departments for its chemical industry and the internal structure of the industry was daily growing more nationalized. Production of synthetic fibers, synthetic resin, and precision organic chemical products developed rapidly. Such newly rising departments as crude oil processing industry and petrochemical industry were also founded. The variety of Korea's chemical industrial products became increasingly diversified. During the 6-year plan period, the production capacity of vinylon and polyvinyl chloride was 50,000 tons. The target of producing 3 million tons of chemical fertilizers under the 6-year plan was fulfilled 1 year ahead of schedule in 1975. Compared with the preceding year, output of chemical fertilizers increased by 23 percent in

1978 and by 13 percent in 1979. At present, Korea's annual production capacity for chemical fertilizer is 3.4 million tons.

In the 1970's, all the departments of light industry achieved rapid development. Korea built up modernized bases for light industry, including the textile and food industries and industry turning out articles for everyday use. It has a practically complete variety of light industrial products, and is basically self-sufficient insofar as the consumer goods needed by the working people are concerned.

Korea's Workers' Party and government, following the guideline of realizing a high degree of intensifying of agricultural production, have devoted immense efforts to strengthening and developing water conservancy in agriculture. It has built a complete and large-scale irrigation system and many medium-sized and small irrigation systems including the Ping Nan [1627 0589], Qi Yang [2978 7122], Yu Yan Tun [0060 1693 1470], and Ya Lu Jiang [7700 4845 3068] irrigation areas. Over 1,500 reservoirs, 16,000 waterpumping stations and water channels with a total length of 40,000 kilometers are being devoted to the use of agriculture. Korea's water conservancy system extends from the plains to mid-level hilly and mountainous areas, irrigating not only the paddy fields but also the dry fields basically.

Electrification of the countryside has been realized. All the rural villages have power supply and all the rural peasant households are provided with electric light. The annual power consumption of Korea's rural villages is 2.2 billion kWh. This is not only sufficient for the cultural life of the peasants but also insures a sufficient provision of power supply for agricultural production including water-pumping, irrigation, feed processing, grain processing, and grain hulling.

The mechanization of agriculture has already reached a fairly high level. In 1980, on the average each 100 ding-bu [3957 2975] (1 ding bu is equivalent to 15 mu in our country) of cultivated land operated seven tractors in the plains and six tractors in the mid-level hilly areas and mountainous areas. On the average, there was one motor vehicle for each 100 ding-bu of cultivated land. In addition, there were about 30,000 rice transplanters and many other kinds of farm machines in the various rural villages. The major farming activities such as turning up the soil, tilling, applying fertilizer, spraying insecticides, harvesting, and transport were basically mechanized.

Korea has a relatively large supply volume of various kinds of agricultural chemicals, which are universally applied to the paddy and dry fields, improving their insect-preventive capacity. Roughly 97 percent of the paddy fields use chemical methods to remove grass.

As a result of the enormous successes achieved in the technological revolution in Korea's countryside, the gross volume of grain output and the output per unit area have both increased rapidly. The gross volume of grain output was 6 million tons in 1970, 8 million tons in 1976, and 9 million tons in 1979. The average grain output of each ding-bu is 7.2 tons of rice and 6.3 tons of corn. Over a 10-year period, grain output increased by 180 percent,

vegetables 170 percent, tobacco 250 percent, and fruits 260 percent. During this period Korea also established many modernized chicken farms and hog raising farms, while animal husbandry likewise achieved great development.

Accompanying the development in production, the material and cultural life of the people has made a notable improvement. In 1970, Korea's workers, technical personnel, and staff members received an average increase in wages of 31.5 percent. The life of peasants reached the level of prosperous middle peasants. In the 6-year plan period, the actual income per household increased by 170 percent in the case of staff members and by 180 percent in the case of peasants.

The Korean Workers' Party and government have adopted various measures to enable the workers to obtain an increasing number of social welfare benefits. In 1974, the taxation system was abolished and the price level of some 21,800 kinds of commodities including cloth, knitted wares, footwear and articles of everyday use was lowered by 30 percent some even by as much as 50 percent. During the 6-year plan period, the state invested in the building of 414,000 units in multistoried buildings in the cities and towns and some 472,000 new-style residential houses in the countryside, thus meeting in a better manner the needs for housing on the part of the working people.

In the 1970's, the social and cultural life of Korea's workers was further improved. The whole country adopted a universal free educational system and a free medical-care system, fully-equipped nurseries and kindergartens were established and in the countryside public omnibuses were in operation and a tap water system was installed. Electrification was realized throughout the whole country. The material and cultural life level of the Korean people was gradually raised in a balanced manner.

[HK270919] II. Reasons for the High Rate of Development in the 1970's

The reasons for the high rate of economic development in the 1970's are many-sided. In general, the principal ones are the following:

First, firmly insisting on placing the focus of the party's work on economic construction.

After the basic fulfillment of the tasks in socialist transformation at the end of 1958, the Korean Worker's Party made the timely announcement that the exploiting class, as a class, had been eliminated and that in the new historical period, major efforts would be centralized in socialist construction, that the focus of the party's work would be shifted to socialist construction and that it would thoroughly carry out the basic line and a series of guidelines and policies "giving priority to the development of heavy guidelines and policies "giving priority to the development of heavy industry and concurrently developing light industry and agriculture."

Second, strengthening the party's leadership and maintaining from beginning to end unification of the political thinking of the whole party.

The criterion determining the failure or success of Korea's socialist economic construction is whether or not the party's line and the various guidelines and policies conform with Korea's national conditions and whether or not they are correct, and Korea's Workers' Party made a correct determination of the basic direction and tasks of socialist construction during the 1970's.

On the basis of the fulfillment of the First 7-Year Plan, the Fifth Representatives' Congress of the Korean Workers' Party was convened in November 1970. It drew up and adopted a 6-year plan for the development of the national economy.

On the side of socialist economic construction, the basic tasks of the 6-year plan were: Consolidating and developing the achievements in industrialization; promoting the technological revolution to an even higher plane; proceeding further to consolidate and strengthen the material and technological foundation of socialism; and in all the departments of the national economy liberating the working people from their heavy and arduous labor.

On the side of improving the people's standard of living, the principal tasks of the 6-year plan were: Speedily eradicating the differential in the standard of living between the workers and the peasants and between residents in the urban areas and residents in the rural areas, and improving in a balanced manner the standard of living of the working people as a whole.

Following the fulfillment of the various tasks under the 6-year plan, the Korean Workers' Party again decided on time on the basic tasks for the Second 7-Year Plan.

The basic tasks of the Second 7-Year Plan were: Making the national economy become the main topic; being both modernized and scientific; further strengthening the socialist economic foundation; and improving by a further step the people's standard of living. Of this, the central tasks of the industrial departments were: Utilizing to a maximum degree and further expanding the then existing industrial foundation; strengthening the decision-making power of Korea's industries; and making all the industrial departments become further modernized and scientific. The central tasks of the agricultural departments were as follows: Invigorating the transformation of nature; promoting technological revolution in the countryside; realizing the industrialization and modernization of agriculture; and making agricultural production scientific and intensive. The important tasks of the communications and transportation departments were: Extensively adopting centralized transport and centralized container transport; and strengthening through transport among the railways, motor vehicles and ships, to thus guarantee meeting the rapidly increasing transport needs of the national economy.

The Korean Workers' Party not only specified the major tasks for the 1970's but also pointed out the ways and measures for their fulfillment.

Third, strengthening the duties and functions of the economic organizations of the state and improving socialist economic management.

In order to make the work of the state organs fit in with the changed and new conditions, the Korean Workers' Party further strengthened the duties and functions of the state organs in economic construction and continuously improved the state's leadership structure over the national economy.

Following reorganization of the management system in industry and agriculture, and for the purposes of further strengthening democratic centralism in economic management and bringing about the planned and proportionate development of the national economy, during the 1970's the Korean Workers' Party further carried out the unification and minute division of planning.

To ensure centralization in planning work, Korea has set up planning committees in the localities, state planning departments in municipalities, and districts, and state planning departments in plants and enterprises which are all directly subordinate to the State Planning Commission. This has made the planning departments of the provinces, first-grade organs of the central government and all the departments of the national economy, follow, in their planning work, the directions of not only their superior organs but also the State Planning Commission. By so doing, a centralized system extending from the central government to the localities, plants and enterprises has been formed to handle, in a unified manner, the planning work of the national economy.

[HK270921] The centralized system of planning requires that cadres of the planning organs must be conversant with the wishes of the party and the demands of the state, and that they can directly grasp the planning work of the localities and enterprises, thereby enabling the policies of the party and the guidelines of the state to be carried out on time in all the planning units. This can insure removal of selfish departmentalism and make the plans of departments, administrative bureaus, and first-grade organs at the do-level as well as the plans of factories and enterprises become completely subservient to the strategic plan of the nation as a whole, making it possible to formulate positive plans of an invigorating character. The new centralized system of planning further enables the planning personnel to go deep into the masses of workers, greatly arouses their creative and inventive spirit, makes them understand the concrete conditions of the production scene and in this way overcomes the subjectivism and bureaucratism of state planning organs, insuring that their planning possesses a sufficient and reliable basis.

Korea's enforcement of the minute division of planning can enable the state planning organs to link up the development of the whole economy with the operation activities of each and every plant and enterprise. It makes planning specific, based on the actual conditions of all the departments of the national economy and of the localities and enterprises, making all the targets, down to each minute detail, become correctly linked together. The minute division of planning can also reflect the demands of the law of planned and proportionate development, making it possible for the national economy to grow in an orderly manner.

In addition, in socialist economic construction, Korea has strongly emphasized the important nature of the employment of the law of value, laid the stress on putting the functions of the various economic levers into full play, and thus achieved relatively good results in economic work.

In 1971, Korea abolished the past irrational wholesale prices of industrial products, made an overall reform of the wholesale pricing of industrial products, and appropriately increased the prices of the products of the mining industries. By means of this reform, management of the industrial enterprises was facilitated, waste and extravagance eliminated, and the income level of different enterprises readjusted. This constituted an important reform which initiatively made use of the price level to strengthen management and control. In addition, on various occasions, Korea reduced considerably the prices of consumer goods of everyday use, and methodically readjusted the purchase prices of agricultural products. All this has played an important role in raising the real income of the staff members, increased the monetary receipts of the peasants, aroused the enthusiasm of the workers and facilitated development of the economy. Moreover, Korea has resorted to enforcing the system of business accounting in the enterprises and bringing the role of various economic levers into full play as an important road to promoting the planned development of the national economy through utilization of the law of value.

Fourth, striving hard to develop the educational enterprise and paying close attention to bringing the backbone role of intellectuals into full play.

The Korean Workers' Party has all along highly regarded the educational enterprise, and, based on the actual conditions of the intensive development of socialist construction, continuously developed the educational enterprise. In pursuance of the task decided on at the party's Fifth Representatives' Congress and for the purpose of building a strong contingent of technicians and specialists, the party transformed and improved the teaching work in the universities and higher institutions of learning on specialized subjects and considerably expanded the scale of the training of personnel. Within the 10 years of the 1970's, the number of universities increased from 129 to 170 while 471 higher institutions of learning on special subjects were established.

Accompanying the progress of revolution and construction and consolidation of the foundation of the national economy, the Korean Workers' Party has continuously improved the system of compulsory education. Starting from 1975, it enforced a universal 11-year compulsory educational system, thus enabling the new generation of Koreans to receive a full secondary school education prior to attaining to their working age, and training large contingents of socialist construction forces which have reached the cultural level of secondary school education and have in their grasp basic knowledge of modern science and technology.

[HK270923] The Korean Workers' Party and government have paid high regard to the intellectuals. A large number of intellectuals and specialized person-ages have been selected and appointed to posts in the central government and

to leadership posts at various levels, being assigned to positions of importance. The various departments have selected and assigned specialist personnel who have business knowledge and had received higher education to attend to operation and management work. The chief engineer of a plant or enterprise is next in rank to the head of the plant or enterprise while the No 1 person of educational institutions at various levels must be a specialist well versed in educational matters. Intellectuals who have made valuable contributions have been given various honorary titles, degrees and awards by the state. In Korea, intellectuals and specialists generally enjoy a relatively high standard of living and treatment.

III. Outlook for the 1980's

The basic tasks in Korea's socialist construction in the 1980's are as follows: Laying a firm material and technological foundation which is in conformity with a socialist society; and greatly improving the material and cultural standard of living of the people.

Korea's long-range perspective targets in socialist economic construction in the 1980's are gigantic. Compared with the targets of the Second 7-Year Plan, it can be clearly seen that not only the growth rate in Korea's socialist economy is rapid but also the increase in the absolute figures of output is surprisingly large, as can be seen from the following table:

Major Material Objects Targets at End of the Prospective Targets

	<u>Second 7-Year Plan period (1978-1984)</u>	<u>At end of the 1980's</u>
Electric power	56-60 billion kWh	100 billion kWh
Coal	70-80 million tons	120 million tons
Iron and steel	7.4-8 million tons	15 million tons
Nonferrous metals	1 million tons	1.5 million tons
Cement	10-13 million tons	20 million tons
Chemical fertilizer	5 million tons	7 million tons
Cloth	800 million meters	1.5 million meters
Aquatic products	3.5 million tons	5 million tons
Grain	10 million tons	15 million tons
Sea beach reclamation	100,000 ding-bu	300,000 ding-bu

Source: Compiled from materials in Summary of Work of the Central Committee reported by Comrade Kim Il-sung at the Sixth Representatives' Congress of the Korean Workers' Party.

At the end of the 1980's, the gross value of Korea's industrial outputs will have increased by 210 percent, being 1,000 times that of 1946. Following the development of the socialist economy, the people's material and cultural standard of living will reach a rather high level.

Korea's Second 7-Year Plan lasts from 1978 to 1984. By 1984, the major material targets to be fulfilled are as follows: Electric powers, 60 million kWh;

coal, 80 million tons; iron and steel, 8 million tons; nonferrous metals, 1 million tons; and cement, 13 million tons. If by the end of the 1980's, these 10 long-range targets are realized, then, according to the plan, the major production targets, compared with 1984, will show increases as follows: Electric power, 40 billion kWh; coal 40 million tons; iron and steel 7 million tons; nonferrous metals, 0.5 million tons; cement, 7 million tons. From this it can be seen that during the 1980's the growth rate of Korea's major industrial departments will be rather high.

Concurrently, the growth rate of the major departments directly related to improvement of the people's living is also fairly rapid. The targets of the major material objects set for fulfillment in the last 5 years of the 1980's will show increases as follows: Cloth, 700 million meters; aquatic products, 1.5 million tons, and grain 5 million tons; in addition, 200,000 ding-bu of sea beaches will be reclaimed.

Korea's socialist economic construction targets for the 1980's have been formed in accordance with the concrete national conditions of Korea.

Their fulfillment is entirely possible.

[HK270925] First, the self-supported national economy set up by Korea has great potential. Korea's heavy industry has already grown into a powerful industrial department equipped with industries such as the electric power, mining, machine-building, chemical and construction materials industries. On the foundation of the development of heavy industry, Korea has built a base for a modernized light industry and has become wholly self-sufficient in the supply of consumer goods needed by the working people. Agricultural production in Korea also has a highly scientific and technological foundation. One of the tasks decided on at the Sixth Representatives' Congress of the KWP called for reclamation by the end of the 1980's some 300,000 ding-bu of sea beaches and the founding of some 300,000 ding-bu of new cultivated land. Fulfillment of this task will mean the addition of a cultivated land area equivalent to one-third of the cultivated land area now being devoted to the plantation of grain crops.

Second, Korea has in its possession abundant natural resources which can be tapped and utilized. Up to now discovery of over 300 kinds of ores has been made. Of them over 200 kinds are useful. Several billion tons of reserve deposits of magnetite and brown iron ores have been discovered while there are abundant deposits of nonferrous metals such as gold, silver, copper, lead, and zinc. In addition, Korea has various kinds of rare metals, various kinds of natural stone material resources and nonmetallic underground resources. It also has vast deposits of anthracite and bituminous coal. Its abundant underground resources constitute a powerful material base for development of the self-supported national economy of the country.

In addition, Korea has in its possession several million working people and a vast contingent of talented scientific and technical forces who have been steeled in actual practice in socialist construction for a prolonged period. It has a large number of highly experienced economic management experts.

It has a good social atmosphere. Its extensive masses of party members and working people have from beginning to end maintained a high degree of revolutionary enthusiasm. They are imbued with an unbeatable faith and confidence in the party and in the socialist enterprise, and are fully capable of devoting their whole energies to serving the interests of society and the people.

CSO: 4006/201

TAIWAN RADIO ON TRADE ISSUES WITH UNITED STATES

OW090250 Taipei International Service in English 0100 GMT 8 Dec 84

[Station commentary]

[Text] The Eighth Joint Conference of the U.S.-ROC and ROC-U.S. Economic Councils, which ended 2 days ago, dealt with two major issues in the two countries' rapidly expanding trade relations. One is the widening trade gap in the Republic of China's favor, and the other is the protection of American intellectual and industrial property rights. Both are pertinent issues. During the January-to-October period, the ROC registered a trade surplus of over US\$8.4 billion with the United States, a sharp increase from the US\$5.47-billion figure in the same months of last year. The imbalance is expected to top 10 billion dollars by the end of the year. As to commercial counterfeiting, the ROC has rightly or wrongly, acquired a dubious distinction of the leading copy-cat. Whether press reports on the matter are exaggerated is irrelevant. The fact is that counterfeiting used to be rampant in Taiwan and has yet to be completely wiped out.

In his speech at the opening ceremony of the joint conference, Premier Yu Kuo-hwa pledged the ROC efforts to tackle both problems to Americans' satisfaction, and the ROC can be counted on to live up to its pledge. Over the years, the government of Free China have taken many steps to whittle down the trade imbalance with the United States, including the dispatch of procurement missions to the United States, gradual removal of restrictions on imports and reduction of import tariffs. However, these have proved not enough to solve the problem. Last year, the ROC's imports from the United States amounted to \$250 per person, which amounted to about 10 percent of the per capita income in Taiwan, while corresponding U.S. imports from the ROC in the same year was only one-fifth the amount. Therefore, Premier Yu suggested that a better solution to the trade imbalance problem may lie in increasing the per capita income in the Republic of China through further development of its economy. In that way, the ROC will be able to significantly boost its imports from the United States, the United States can contribute greatly to this effort by taking a more active part in the Republic of China's endeavor to become a fully developed country through investment in high-tech industries in Taiwan.

As to the counterfeiting problem, the Chinese Government and private sector have both directed their attention to it. A national anti-counterfeiting committee has been formed to crack down on the unethical practice, while sustained publicity drive has been launched to educate the general public about the harms the practice has done to the nation's trade and its image. Enforcement of counterfeiting rules have also been drastically stepped up. Trade authorities and customs agents are keeping a sharp lookout for violators. Those caught engaging in the manufacture and export of counterfeit products will be deprived of their business licenses besides legal penalties. In the streets and back alleys, economic police patrols regularly and checks stores and roadside stands to see if fake products are being sold. Counterfeit goods on sale are confiscated immediately, and the shop owners, or hawkers, involved are turned to the court and law for prosecution. Tougher measures are expected to be taken against counterfeiters, whose existence the government and people of Free China regard as a shame and a stumbling block in their march toward achieving a fully matured and sophisticated economy.

CSO: 4006/172

INSTITUTE ISSUES STUDY ON EXPORTS TO UNITED STATES

OW100349 Taipei CNA in English 0240 GMT 10 Dec 84

[Text] Taipei, 9 Dec (CNA)--In the next 10 years, the ROC products with the best prospects as exports to the United States will be machinery, transportation equipment and furniture. Textile products will still show a good performance, but exports of cement, footwear and leather products will all show a decline, the China Institute for Economic Research said Saturday.

In a recently completed research report on the prospect of the nation's exports to the United States in the next 10 years, the institute said the nation's exports there will enjoy an average annual growth of 13 percent in the coming 10 years.

According to this report, the products manufactured in this nation with the best potential as exports to United States will be machinery and transportation equipment, which are expected to grow by 11 percent annually. The growth rate for the export of transportation equipment might even hit 40 percent due to its strong market potential.

The transportation equipment include bicycles, motorcycles, automobiles and their spare parts. The auto industry and manufacturers of auto parts are considered to have the best prospects for exports from this nation over the next 10 years.

Although the textile industry was predicted to decline gradually in the past, is still registered a growth of 30 percent in 1980 and 1981. According to the prediction of this report, the exports of textile products will still grow at an annual rate of 25 percent over the next 10 years.

The report also pointed out several products which will have dim futures. They are cement, glassware, chinaware, paper products, leather products, plastics products, nonferrous metals, footwear, wristwatches and clocks.

CSO: 4006/172

FOREIGN TRADE INCREASES TO \$48.2 BILLION

OW081600 Taipei CNA in English 1446 GMT 8 Dec 84

[Text] Taipei, 8 Dec (CNA)--The nation's foreign trade for the first 11 months this year reached US\$48.2 billion, compared with US\$45.4 billion for the corresponding period a year ago, customs statistics show.

The latest customs figures indicated that this country earned US\$7.9 billion in its bilateral trade transactions in the same period. The trade surplus for 1983 was US\$4.83 billion.

In the January-November period, exports were US\$28.1 billion, up 23.1 percent from the corresponding period a year earlier, while imports were US\$20.2 billion, up 10.8 percent from that of last year.

Trade officials said Saturday that, in the single month of November, exports totaled US\$2.46 billion, up 4.8 percent from the same month in 1983, and imports were valued at US\$1.91 billion, down 3.9 percent, resulting in a surplus of US\$550 million.

According to the customs statistics, among exported items for the first 11 months, home appliances top other categories with a growth of 41.5 percent, followed by plastics products and electronics goods with growth rates of more than 30 percent.

In terms of imported goods, electronics products rose 40.2 percent, the highest compared with other categories.

CSO: 4006/172

BRIEFS

TAIWAN-JAPAN TRADE IMBALANCE--Taipei, 28 Nov (CNA)--Premier Yu Kuo-hwa Wednesday received Nurishige Hasegawa, new president of the Interchange Association of Japan, at the Executive Yuan. Yu exchanged views with the Japanese visitor on Sino-Japanese trade relations. Hasegawa assumed his new post last September. He is here to attend the ninth Sino-Japanese economic and trade conference. Also present at the meeting were Uomoto Tokichiro, chairman of the Interchange Association, Hara Fjuio, director of the association's Taipei office, and Chang Kwang-shih, chairman of the East Asia Relations Association of the Republic of China. At noon, Kuomintang Secretary General Tsiang Yien-si hosted a luncheon in honor of Hasegawa and his party. During the luncheon, Tsiang pointed out that the trade imbalance with the Republic of China is getting larger. He asked the office of Hasegawa to take measures to improve this problem. Hasegawa told Tsiang that the Japanese Government is trying its best to better the situation. [Text] [Taipei CNA in English 0237 GMT 29 Nov 84]

TRADE SURPLUS WITH U.S.--Taipei, 8 Dec (CNA)--As of the end of November, the Republic of China enjoyed a surplus of US\$9.1 billion in trade with the United States, but also registered a deficit of trade with the United States, and also registered a deficit of US\$2.9 billion in trade with Japan, according to custom statistics released Saturday. According to the statistics, the two-way trade between this nation and the United States from January to November totaled US\$18.3 billion. During this period, the nation exported products worth US\$13.7 billion to the United States, while it imported US\$4.6 billion worth of American products. Meanwhile, the nation's trade with Japan hit US\$8.8 billion. During this period, the nation exported products worth US\$2.9 billion to Japan, and imported US\$5.9 billion worth of Japanese products. [Text] [Taipei CNA in English 0238 GMT 10 Dec 84]

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